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Thirty-first Annual N. A. C. M. Convention, New York, May 24-28
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April, 1926

CREDIT

MONTHLY



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25 cents

Where Broadway Begins

\$3 a Year



If only there had been

BUILDER'S RISK INSURANCE

THE present high prices of building material and labor, make every construction job an investment that should be protected.

Builder's Risk Insurance will protect the owner, the mortgagee,

or the contractor against the unexpected loss by fire or lightning.

Springtime is building time—everywhere! Credit men should interest themselves in this line of Insurance as a means of protection for Credit.

**COMMERCIAL UNION
FIRE INSURANCE CO.**
OF NEW YORK

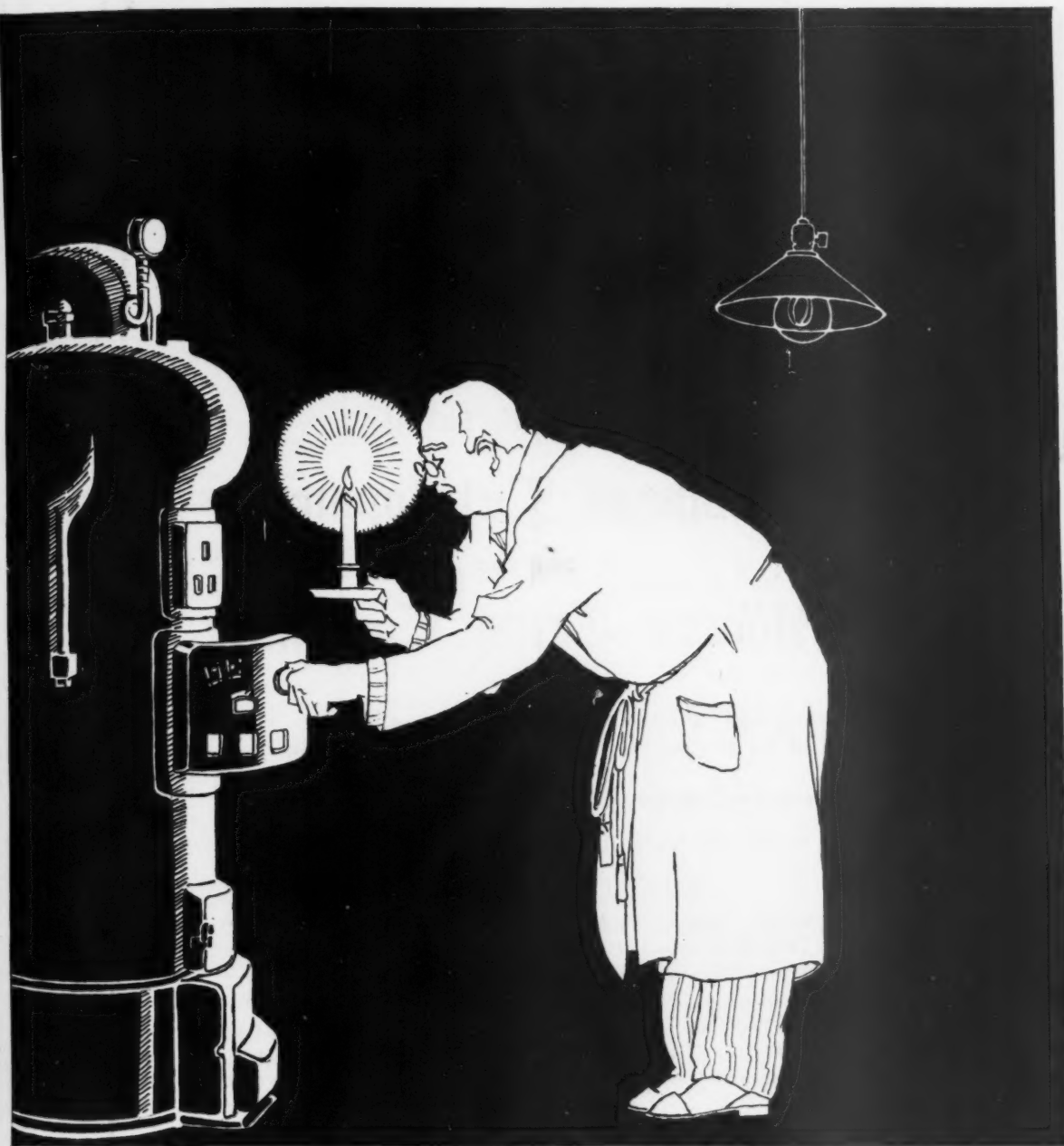
NEW YORK

CHICAGO

SAN FRANCISCO

ATLANTA

DALLAS



Why use a candle when there is an electric light at your elbow?



The Hartford is a world-wide institution—not dependent upon or at the mercy of a restricted locality.

HARTFORD FIRE INSURANCE CO.

HARTFORD, CONN.

The Hartford Fire Insurance Company and the Hartford Accident and Indemnity Company write practically every form of insurance except life.

Prizes For Research

Business Development

Modern Trust Company

Annual Monograph Prizes	First	-	-	-	\$ 300
	Second	-	-	-	\$ 200

COMMITTEE OF AWARD

LEVERETT S. LYON, *Secretary*; Professor of Economics, Robert Brookings Graduate School of Economics and Government, 1724 I Street N. W., Washington, D. C.

PARTIAL LIST OF SUGGESTED SUBJECTS FOR 1926

Banking Policy and "Frozen Credit"
The Growth and Significance of Commercial Credit
or Discount Companies
Bank Credit Analysis
Mercantile Credit Analysis

1926—ANNOUNCEMENT—1926

Moral Obligation Stronger Than Law

WALTER Sprengle, Credit Manager of the Byrne & Hammer Dry Goods Company, Nebr., has experienced the thrill that comes once in a credit lifetime. What could bring more joy to a credit man than to receive a letter such as the following:

Aberdeen, S. D.
Byrne & Hammer Dry Goods Co.,
Omaha, Nebr.

Gentlemen:—In March or April 1915 you accepted a payment in full of your claims against Geller & Ginsberg of Fremont, Nebr. I always felt that I have a moral obligation to pay the loss which you lost on that deal and don't want to take advantage of the law.

For some reason or other, I didn't write to you before. However, I want to make good this old loss (better late than never.)

I am willing to take this loss upon myself and am willing to borrow money and pay this old loss.

Please let me know the amount due you and oblige

Very respectfully,
A. Ginsberg.

In order that you understand the following letters, it may be well to explain that the firm of which Mr. Ginsberg was a member, failed in Fremont, Nebr. in 1916. The firm of M. E. Smith Co. was taken over by the Byrne & Hammer Dry Goods Co., and this account owing the Smith Company by the Ginsberg concern was acquired.

Aberdeen, S. D., 2/17/26.
Byrne & Hammer Dry Goods Co.,
Omaha, Nebr.

Gentlemen:—Enclosed please find check for \$25.44 in full as per your letter of Feb. 16-26.

I will appreciate if you would let me know the present address of the Omaha Rubber Co. and the address of M. E. Smith Co.

Thanking you in advance for this favor, I am

Very sincerely yours,
A. Ginsberg.

The following letter was received by Mr. Sprengle under date of February 26. Should the firms mentioned in this letter be known to any of our members, I am sure Mr. Ginsberg would be glad to know their addresses:

Aberdeen, S. D., 2/24/26.
Byrne & Hammer Dry Goods Co.,
Omaha, Nebr.

Gentlemen:—Enclosed please find check for \$85.76 in full for the M. E. Smith Co. account.

I will appreciate very much if you'll send me the addresses of the following houses.

Carpeles Co.
Cleveland Neckwear Co.
Gross Bros. Mfg. Co.
A. Hirsch & Co. (\$6.98)
F. Lewald & Co.
Merks Hat Co.
Martin Cott Hat Co.
Nuss & Moore Trunk Co.

CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

Rodman Gilder, Editor

Contents for April, 1926

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Star Clo. Mfg. Co.
U. S. Raincoat Co.

All these people were in business in 1914. I didn't have the addresses of any of the wholesale houses, I only had the names; but I found most of them from reference books with the exception of the above names and will greatly appreciate if you can assist me in getting the addresses of the above houses.

I also would like to say that I didn't write to all the houses because I was busy in finding out their addresses, but will do so in the near future.

Thanking you for past and future favors, I beg to remain

Yours truly,
A. Ginsberg,
402 No. Main.

A man who owes a debt which he can pay, and does not pay because he cannot be forced by law to pay it, is not honest. After all, the greatest obligation a man has is the moral obligation and not the legal. Such instances as shown above strengthen confidence in business men, and we rejoice with Mr. Sprengle and congratulate Mr. Ginsberg for, after all, the greatest satisfaction is his.



The United States Fidelity and Guaranty Company has entered the field of Credit Insurance.

Our Specific Account Insurance Policy is a new form of Credit Insurance, which guarantees specified accounts at a very attractive rate.

The certificates of insurance derived from the policy can be used as prime banking collateral.

We are now ready to offer this form of protection to manufacturers and wholesalers in selected lines.

UNITED STATES FIDELITY
AND GUARANTY
COMPANY

HOME OFFICE AT BALTIMORE, MD.

Maintains a department of Guaranteed Attorneys which renders unexcelled service to merchants and manufacturers

A branch office or agency in 7500 cities of the
United States and Canada

Decorating the Bare Hook

How the Credit Manager, in his Collection Letters, Must Make an Unpleasant Subject Attractive

I ONCE CAUGHT a ten-inch brook trout with a bare hook; but the conditions were highly exceptional. I was visiting a man who ran a private fishery and supplied trout of various sizes to stock private ponds and streams.

He led me to an outdoor tank of cold water that was alive with good-sized trout that had been kept on short rations for a week. As we approached the tank we flushed a grasshopper that jumped into the tank. The insect had hardly reached the surface of the water when a score of fish struck fiercely at it.

My host then handed me a trout rod carrying a line, (without a leader,) at the end of which he had tied a bare hook. He insisted that I drop the hook into the tank. Like a flash I had hooked a good-sized fish. I was a little surprised to find that I enjoyed briefly the thrill that an angler gets when he feels the first impact of the fish's weight; but the thrill was soon offset by a feeling of humiliation that I had taken the fish so easily.

Catching fish with a bare hook is indeed exceptional and the real sport is in decorating the hook with attractive feathers and thread and manipulating it in such a way as to hook the fish.

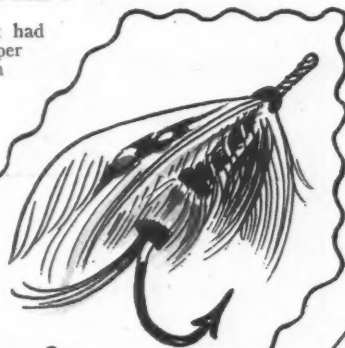
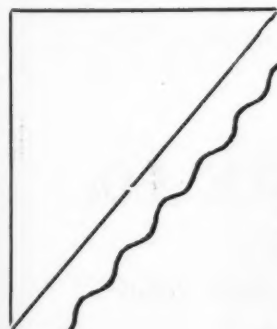
In collecting delinquent accounts by mail, the skill required in disguising the natural unattractiveness of the subject is not unlike the skill of the salmon fisherman in choosing his flies.

The radio fan (now almost as numerous as the population) would be attracted by the following letter, which has been successfully used by a Credit Manager in the wholesale grocery line:

"A few years ago when the radio first came into popularity the word 'broadcast' came in simultaneously until we hear on every hand the broadcasting of events of every description.

"I am wondering if it ever occurred to you that when you allow accounts to lie dormant on your creditors' ledgers you are broadcasting the fact that you are slow pay?"

"The credit structure of America is such that we must depend for our credit information on the experience and opinions of others and when the news gets around that you are not taking care of your accounts it works to your detriment, and so we ask you at this time to protect your own interests by giving your account, amounting to \$74.53, your immediate attention."



A double effect is secured by the following letter, which has been used successfully to collect accounts and to build up sales:

"I have just returned from a trip through the Shenandoah Valley where I had many pleasant surprises. The merchants seem to be in very good spirits, crops are good and we expect to do a nice business in that section during the year.

"Mr. Ogden, our cashier, has just placed on my desk the monthly statements and I notice on yours that there are several items past the maturity date. I assume that this is merely an oversight on your part and that you will send us your check covering these items on receipt of this letter.

"I have not seen you in the office for some time, and the next time you are down this way, I wish you would drop in and pay us a visit. Since you were here last we have taken on several new lines which we have on display and we would like the opportunity of going over these lines with you."

There is an appeal in the following actual collection letter which has proved its effectiveness:

"During the early history of this country we passed through a period of financial depression which shook the very foundation of the Nation. We were not able to pay our obligations. However, you will find all through the early history that the men who were responsible for the building of what is now the greatest nation on the face of the earth devoted their time and energy to the liquidation of the Nation's obligations.

"Every big business passed through that period where they were financially embarrassed. However, without exception they co-operated with their creditors and by so doing created good will which was the foundation of their future growth.

"May we ask you at this time to give our account about which we have written you several times, the attention it deserves?"

However attractive the fly may be, there is always the strong realistic steel hook which lands the fish, and no matter how interesting and entertaining the collection letter, the main object will always be to land the over-due payment.

—The Editor.

How much
of your
bills receivable
merchandise
is on these
shelves?



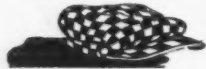
Undoubtedly
this customer carries
insurance.



Is it adequate?

If not

how long will
you



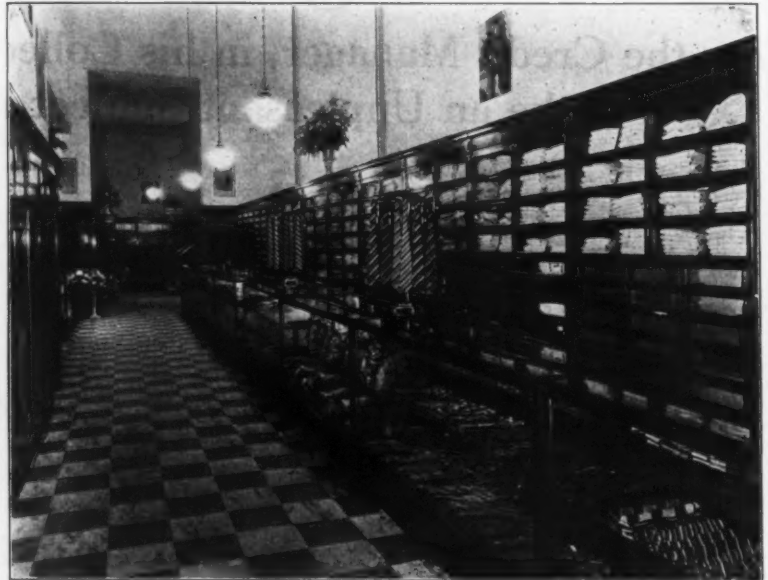
have to wait

after

a fire ?



**FIRE
MARINE
AUTOMOBILE
WINDSTORM
EXPLOSION
RIOT & CIVIL
COMMOTION
TOURIST FLOATER
SPRINKLER LEAKAGE
REGISTERED MAIL
and
OTHER SUBSIDIARY
LINES**



Do You Sell this Shop?

Typical of Main Street stores of all sorts throughout the country, this shop is heavily stocked with your accounts receivable. These stocks for which you checked this customer's credit are a substantial part of his assets.

The store won't look like this the morning after a fire and a soaking by hose streams. Neither will your receivables.

No less important than careful scrutiny of a merchant's antecedents is thorough investigation of the character and amount of his insurance.

No matter how good a customer is before a fire he will turn out to be a better customer after a fire if he is not only insured, but insured right.

QUEEN INSURANCE Co. OF AMERICA

HOME OFFICE: 84 WILLIAM ST., NEW YORK

STATEMENT, JANUARY 1, 1926

Total Assets	\$20,348,548.53
Liabilities	14,211,383.83
Net Surplus	6,137,164.70
Capital	3,000,000.00
Net Surplus to Policyholders ...	9,137,164.70

Western Dept.:
Southern Dept.:
Pacific Coast Dept.:

CHICAGO, ILL.
ATLANTA, GA.
SAN FRANCISCO

F. P. Hamilton, Mgr.
S. Y. Tupper, Mgr.
Rolla V. Watt, Mgr.

CREDIT MONTHLY

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APRIL - 1926

No. 4

Slashing Red Tape

In the Routine of a Big Credit and Collection Department

By Harold H. Kase

Taylor Instrument Companies, Rochester, N. Y.

IN writing this analysis of the Taylor Instrument Companies' Credit Department, I want to consider myself as an outsider looking in rather than an insider looking out. Each one of us in the profession of credit management has an individual problem to solve; but when an opportunity comes permitting us to lift the lid of a brother's work shop and watch the wheels go 'round we should surely add something to our own stock of experience. More than that, I have found that we can frequently discover a bit of mechanism which, when fitted to our own appliances, accelerates our process of granting credit, of keeping records and of making collections.

Standing then on the threshold of our shop, the first thing we must impress on you is simply this: the chief aim of our Credit Department is to slash red tape in routine without actually embarrassing or inconveniencing the department or the business, and without violating the ethics of good management.

It is a fundamental principle in our organization to quickly adopt any workable new idea or business systems. We likewise discard old methods that hamper co-workers, and thus clog the wheels of progress.

This reaching out toward progress reminds me of a physiological theory which states that we have a new skin once every year. In fact it has been further stated that the whole body is a chemical combination renewed completely every seven years. There is food for thought; it would be well for many organizations, which have accumulated scales of ancient and honorable systems, trimmed with brilliantine and red tape, should they at least every seven years throw off the old and put on the new.

But now we have parked ourselves long enough at the threshold, let's go! Our shop, to continue the analogy, is divided into two

sections, the Credit Department and the Bookkeeping Department; separate but co-operative—both under the advisory supervision of the Companies Secretary. Although the functions of each department have been carefully separated, still there is much in common, especially since *no card record of credit history is kept in the Credit Department*. This is contrary to the usual policy; but I believe it is a point in our favor and one which should be emphasized if you are to appreciate our horror of cumbersome details. About ten years ago, we dumped this card recording system as too antiquated, at least for our purpose.

Data Entered on Salesman's Order

We pass credit directly on the order itself as made out by the salesman, entering thereon all necessary data. When shipment has been made and the account collected, the order sheet bearing all Credit Department notations is filed. It can be referred to if the occasion demands, which is seldom, as we have an immense turnover in accounts opened and closed. A short time ago we filed with the Central New York Interchange Bureau a list of 35,000 accounts that had been active only within a year. We have a dead file of accounts estimated at about 75% of the total opened in five years. Because of these factors you can readily see that *a card record would be impractical*. We simply rely on the ledger sheet

itself and the rating record as noted on each order at the time of passing credit.

Now for a word relating to the routine reception of the salesman's order. The Sales Department gives it a serial number and then we get it. After that one of three things happens: the order is checked and is (a) passed wholly, or (b) conditionally, with the notation, "Refer to Credit Department before shipping," or (c) held for credit inquest. If the order is held for investigation, we send the Production-Service Department a ticket memo (Fig. 1) to take the place of the order. The Sales Department and the salesman (Fig. 2) are also notified. Notifying Sales Department and a salesman is, by the way, mighty important especially if your salesmen are working on a commission basis. You know how crabby the salesman feels to find a lot of cancellations on his monthly statement. Our method, however, gives him prompt advice and a reasonable chance to properly co-operate in saving the order.

After the investigation has been satisfactorily completed, the original order goes through the regular channels and the Production Department returns the ticket memo referred to.

When the shipment is made, the shipping sheet goes to the Billing Department where the invoice and posting records are made. The invoice is mailed to

the customer. The posting record is sent to the Bookkeeping Department for ledger entry and as this is a mechanical process the statement is posted at the same time as the ledger sheet. In our Bookkeeping Department we use an electrically driven posting machine, with a loose leaf ledger system. The statement is in duplicate form and is kept in the ledger with its corresponding loose leaf ledger sheet until the end of the month. When



HAROLD H. KASE

Starting as a bank messenger, Mr. Kase went into the industrial field and has been for the past thirteen years with the Taylor Instrument Companies' Credit Department. For six years he has been Chairman of the Rochester Association's Credit Interchange Committee. His avocation is building up a library.

<p style="text-align: center;">SERVICE DEPT.</p> <p style="text-align: center;">SUPPLEMENT To Order No.</p> <p style="text-align: center;">Date.....</p>	<p>ORIGINAL</p>
--	------------------------

FIG. 1. TICKET MEMO. SENT TO SERVICE DEPT. TO REPLACE THE ORDER, IN CASE THE ORDER IS HELD FOR INVESTIGATION. ACTUAL SIZE 5 x 8¼ IN.

monthly posting is completed these statements are removed and a fresh set substituted for the following month.

This posting system really operates for a triplicate record; the ledger sheet, the duplicate—which as you will see is routed to us—and the statement which is mailed to the customer.

When we receive the duplicate statement it at once constitutes the basis of our collection procedure. The new duplicate (unless it is the first one) is compared with the old duplicate on our files and if the account, all or part of it (on a monthly basis) is past due we start mailing a form letter. Incidentally we have about 350 form letters and these are varied and changed from time to time. Each account is considered separately and all form letters are personally selected by the Credit Manager or his assistant, and with the exception of the first letter are typewritten, not printed or multigraphed.

An important feature of our credit shop is our follow-up system. We use lined, colored tickler cards, 3 inches by 5 inches. On this a memo of the dates, the number of the form letters used, and the next "attention" date for another letter is entered. To carry out our idea of simplicity these tickler cards are simply alphabetically filed in a card index box, each card color tabbed to thus key it for the date of the next follow-up. In this way a clerk by merely running over the filed cards can rapidly select those requiring attention. If a reply is received from the debtor the follow-up immediately becomes special and calls for a personally dictated letter by the Credit Manager or his assistant. The card is then removed from the routine form file to a special box file for "special attention follow-up" and thus followed up in a similar manner.

In all this we function co-operatively with our Book-keeping Department. When remittances are received and distributed to the various book-keepers, each one makes out a pay slip for us. These slips bear the customer's name, the date of invoice, the amount paid, the deductions made, credit memos, etc. (Fig. 3). As soon as the slips are all made out for the morning remittances each book-keeper sends his lot to us. In the Credit Department these slips are checked against our duplicate ledger sheets and any pertinent information is noted on the correspondence tickler card. In this way we keep an accurate check on all payments received each day. In effect it may be said that our Credit Department

through its duplicate statement system keeps its own set of books corresponding to those of the Book-keeping Department except that we have no record of debits posted during the current month.

Form Collection Letters

We usually use about five form letters on an account and if these prove unsuccessful we make a further effort through some special collection helps before sending the account to an Adjustment Bureau, a Collection Agency or an attorney.

To assume that an account needs no further department attention after it has passed on to the professional collector is dangerous. The greatest co-operation is attained only when a constant check-up and follow-up is maintained. With this in mind we have a special follow-up system for accounts placed outside our organization. We here use a special folder. This is in the nature of a cardboard envelope 9½x4 made to fit a letter sheet triple folded the long way. These envelopes, opening at the end, are filed numerically and contain all correspondence between the outside collection house and ourselves as well as any correspondence from the debtor. This system operates until the account is disposed of. Then the envelope is removed from the active file finally and together with any other data pertaining to a history of the case is placed in a dead file.

Obviously such material relates itself

to undesirable customers. To assure that none of these "get by" on a future date we add the customer's name to our visible record of "undesirables." For this purpose we use a card of standard make which we heartily recommend. As each new order comes to the department we automatically check it to the visible file to assure ourselves that the order is not from one of the former undesirables or delinquents. This takes but a fraction of a second, but in that brief time the ticket raises if necessary a red flag that warns us and saves us from unnecessary losses.

Our follow-up system relating to data with the outside collector is the one supplied by another maker of highly satisfactory filing equipment. A sheet from this system is shown herewith. (Fig. 6). We have found this method of follow-up exceedingly useful, because just a few notations tell us when to write and what to write, where the accounts stand, what has been paid, costs advanced, etc.

Now to return to the visible card system. Should the danger signal show that a former undesirable wishes to purchase more merchandise, we usually require that first he refund to us all the collection charges. This done we then require that a satisfactory guarantee be made covering future payments. These requirements complied with, the account is re-opened.

Sale Unit Small

To fully appreciate our credit shop layout one must understand that, due to the nature of our product, the average unit of sale is small and thus we are constantly handling a large number of orders. Right now our orders are running about five hundred a day with a general average of twenty-five dollars per order for credit passing purposes. For these reasons we feel that it is necessary, as far as the majority of orders are concerned, to check credits directly by the rating in the Mercantile Books, and consequently we open a large number of accounts on ratings only. You can now see why we do not believe in keeping a lot of card records. The expense and labor involved in transcribing such data does not justify the effort, especially since experience has proven that the cards are seldom referred to.

Another interesting feature of our collection system is that of keeping a record of the habitually slow payers through the collection ticker card. When the card card notations show that the account has been paid only after the third or fourth letter, the checking clerk calls this to the

<p style="text-align: center;">Order Held</p> <p style="text-align: center;">(For reason numbered in lower right hand corner)</p> <ol style="list-style-type: none"> 1. Pending payment of past due account. 2. Pending satisfactory credit arrangements. 3. In view of slow settlement of previous accounts. 4. Because of unsatisfactory credit information. 5. Previous experience too old. Revising our credit files. <p style="text-align: center; font-weight: bold;">We will be glad to consider any information you may have regarding purchaser</p> <p style="text-align: center;">Credit and Collection Department</p>	<p>(Salesman's Copy)</p>
--	--------------------------

FIG. 2. "ORDER HELD" TICKET MEMO FOR SALESMAN, ACTUAL SIZE 5 x 8¼ IN.

CREDIT VOUCHER

CUSTOMER

NO.....

ADDRESS

DATE.....

EXPLANATION:

ACCT'S RECEIVABLE

DISCOUNT.....

OTHER DEDUCTIONS.....

NET REMITTANCE.....

Credit and Collection Dept. Copy

FIG. 3. CREDIT VOUCHER

Ledger Section	Accounts Receivable February 1, 1926	Percentage Loss or Gain Over Last Month	All Past Due Accounts February 1, 1926	Percentage of All Past Dues to Accounts Received	Percentage Loss or Gain Over Last Month	Accounts Past Due 30 Days or More on February 1, 1926	Percentage of Old Past Dues to Accounts Received	Percentage Loss or Gain Over Last Month	Accounts Which Became Past Due on February 1, 1926	Percentage of New Past Dues to Accounts Received	Percentage Loss or Gain Over Last Month	Number of Accounts Receivable February 1, 1926	Percentage Loss or Gain Over Last Month	Number of Old Past Due Accounts February 1, 1926	Percentage of Old Past Dues to No. of Accounts Received	Percentage Loss or Gain Over Last Month	Number of New Past Due Accounts, February 1, 1926	Percentage of New Past Dues to No. of Accounts Received	Percentage Loss or Gain Over Last Month
B.	\$	%	\$	%	%	\$	%	%	\$	%	%	No.	%	No.	%	%	No.	%	%
C.	\$	%	\$	%	%	\$	%	%	\$	%	%	No.	%	No.	%	%	No.	%	%
D.	\$	%	\$	%	%	\$	%	%	\$	%	%	No.	%	No.	%	%	No.	%	%
E.	\$	%	\$	%	%	\$	%	%	\$	%	%	No.	%	No.	%	%	No.	%	%
F.	\$	%	\$	%	%	\$	%	%	\$	%	%	No.	%	No.	%	%	No.	%	%
G.	\$	%	\$	%	%	\$	%	%	\$	%	%	No.	%	No.	%	%	No.	%	%
Total	\$	%	\$	%	%	\$	%	%	\$	%	%	No.	%	No.	%	%	No.	%	%

FIG. 4. ANALYSIS OF ACCOUNTS MADE ON 1ST OF EACH MONTH

attention of our Assistant Credit Manager. He keeps the original tickler cards as they accumulate against the delinquent's record. When several of these cards distributed over a period of time prove that the customer's slowness is chronic, the account is brought up for special consideration and a decision is made as to future orders and business relations.

One of the problems of our industry brings before us the subject of passing credit on orders that specify periodic deliveries at regular intervals—say a shipment every month for a year. When there is any question as to responsibility, we pass these orders only on a conditional basis with the stamped notation:

**REFER TO CREDIT
BEFORE SHIPPING**

Then if the monthly shipments are not promptly paid, the Credit Department has an opportunity to stop further shipments or to delay shipments until credit relations have been properly restored.

If you are interested in charts and graphs, I have included two for your consideration (Fig. 4) and (Fig. 5). These are largely self-explanatory. Figure 4 is the analysis of accounts that I make shortly after the first of each month, and figure 5 is a copy of the graphic method by which I illustrate the result of this analysis; that is, the comparison of the total past dues to the total accounts receivable. It is interesting to note the reaction of the past dues to the fluctuation of the accounts receivable. We can more intelligently plan our collection and credit work by noting the ratio between these two lines.

Well, we've pretty well completed the tour of our credit shop and here we are back at the threshold. Now just to clarify it all for you let's recapitulate:

Recapitulation

1. The Sales Department receives and records the original order as it comes

from the salesman, gives it a serial number and passes it on to the Credit and Collection department.

2. Ratings are checked and the order is wholly or conditionally passed or held for further credit investigation.

3. If OK'd conditionally, the order is stamped, "Refer to Credit Dept. before shipping," and is sent through. If held pending further investigation, the Production-Service Department is notified by memo and the salesman and Sales Department receive a form notification (Figs. 1 and 2).

4. Upon completion of the investigation, the order is released from the Credit Department and is sent to the Production-Service Department, which then returns the memorandum form referred to above.

5. When shipment is made the shipping sheet goes to the Billing Department, which makes out the invoice and a posting record. The invoice is mailed to the customer. The posting record is sent to the Book-keeping Department. There the ledger sheet and the statement are machine-made simultaneously.

6. On the first of each month, statements are routed to the Credit Departments, where they are sorted for current accounts, new past due accounts and old past due accounts. The original statements are then mailed to the customer, and the duplicate statements are held in the Credit Department for collection checking during the month and until paid.

7. Colored tickler cards are made out for all new past due accounts and a first letter is mailed.

8. The cards are filed—keyed for the date of next follow-up letter.

9. At keyed date the cards are removed from the file and the account is given a second letter, etc. This data is briefly entered on the card.

10. If a reply is received from the debtor the tickler card receives special attention and is thereafter filed in the "special attention" box.

11. When payment slips are received from the book-keepers all pertinent credit records are so duly noted.

12. When the customer proves adamant to letter appeals or if his account is in an over extended condition it is placed on the "Hold Order List."

13. If the account cannot be collected by the Credit Department it is sent to a professional collector.

14. All collection correspondence is then segregated in special claim folders.

In conclusion, we're mighty glad you called to have a look around.

N. A. C. M. Constitution

A MENDMENTS proposed by the Eastern Division executive Committee of the Board of Directors of the National Association of Credit Men:

Section 1, Article V. of the Constitution and By-Laws of the National Association of Credit Men reads as follows:

Each local association shall pay to the treasurer of the National Association a sum of \$7.50 annually for each of its members. Of this sum \$1.50 shall be reserved as an annual subscription price for each member to the monthly publication of the National Association of Credit Men, and in addition one dollar will be used for the support of the investigation and prosecution department.

The following amendment to this portion of Section 1, Article V; is recommended:

Each local association shall pay to the treasurer of the National Association a sum of \$7.50 annually for each of its members. Of this sum \$1.50 shall be reserved as an annual subscription price for each member to the monthly publication of the National Association of Credit Men. The Administration costs of the Credit Protection Department as determined by the Directors but not to exceed more than one dollar per member annually, shall be paid from the per capita income.

Would You Use This?

RICHARD C. WALTER, manager of the Times-Mirror Stationery Store, Los Angeles, sends the CREDIT MONTHLY the following copy of an actual letter used by a credit manager in the.....line, addressed to a customer who is worth about \$..... of business annually to the credit manager's concern:

"Gentlemen—It has been brought to my attention that there is a balance due on your account of \$7.50. We can't understand why a firm of your standing should allow a balance of this kind to remain unpaid for more than sixty days. We can't afford to spend the time trying to collect such small sums, and will expect your check by return mail."

Mr. Walter raises the question as to whether this letter should be classified as a horrible example, or whether there is any justification for its use. "Would such a letter," he says, "bring the customer back for more business?"

The editor of CREDIT MONTHLY would welcome comments on this letter, and the desirability of its use.

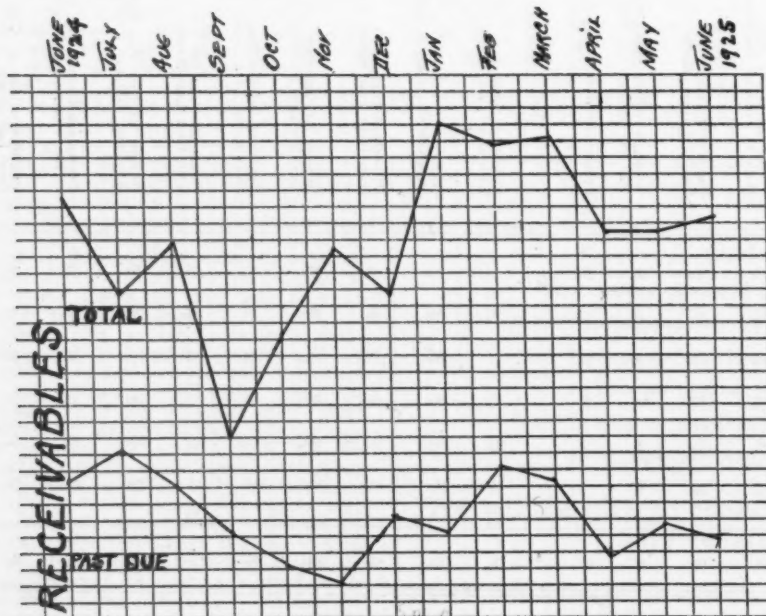


Fig. 5.

CREDIT AND COLLECTION RECORD													COSTS		CLAIM	
TAYLOR INSTRUMENT COS.													ADVANCED		AMOUNT	
ROCHESTER, N. Y.													PAY'TS			
													PAY'TS			
													ADD.			
													NAME			
													ADD.			
													NAME			
													ADD.		WILL RAY PA	
													ATTY'S		FRANK S. SMITH ATTY.	
													NAME			
													ADD.		METTEVILLE PA.	
													DEBTORS		NAME	
													897		JONES JOHN J.	
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	CLAIM NO.				
							✓									

FIG. 6. Credit and Collection Record

Trade Groups Organizing

By Frank A. Fall, Litt. D.

THE heart of the Convention,"—in these words a prominent member of the Association, who has attended every convention for many years, recently characterized the Trade Group Conferences. And all signs point to a Convention in New York City from May 24 to May 28 that will be completely free from any sign of heart trouble.

The total of 17 groups at the Washington Convention represented an increase of two over that of the preceding year. This year there will be two new groups,—Confectionery, and Stationery, Printing and Office Supplies. The groceries group will be divided into two, one for manufacturers and the other for wholesalers and jobbers. There will be, therefore, a total of twenty groups.

The Conferences will be held on Tuesday afternoon, May 25, and Wednesday afternoon, May 26. Some of the Groups will meet both days, and others Tuesday only. It will obviously be impossible for all of the sessions to be held at the Commodore, the Convention headquarters hotel, but fortunately there are many other first-class hotels near by, in the Grand Central Terminal district, and adequate accommodations for all of the Group Conferences have been arranged for at the Roosevelt, the Imperial, the Murray Hill and other near-by hotels.

Programs for the Conferences are being arranged as follows:

1. Boots, Shoes and Allied Lines: Chairman, A. T. Woodward, United States Shoe Co., Cincinnati, O.
2. Building Materials: Chairman, R. J. Doyle, Marquette Cement Manufacturing Co., Chicago, Ill.
3. Clothing, Caps and Allied Lines: Chairman, J. E. Black, Curlee Clothing Co., St. Louis, Mo.
4. Confectionery: Chairman, William Dalchow, American Chicle Co., Long Island City, N. Y.
5. Drugs, Chemicals and Allied Lines: Chairman, J. E. Stitz, Kiefer-Stewart Co., Indianapolis, Ind.
6. Dry Goods, Notions and Allied Lines: Chairman, Okey B. Johnson, Abney-Barnes Co., Charleston, W. Va.
7. Electrical and Radio Supplies: Chairman, W. M. Hart, Wetmore-Savage Electrical Supply Co., Springfield, Mass.
8. Furniture and Allied Lines: Chairman,

Mayo N. Ziegler, Robert W. Irwin Co., Grand Rapids, Mich.

9. Groceries (Manufacturers): Chairman, Mrs. Rosa M. Snell, Harbauer Co., Toledo, Ohio.

10. Groceries (Wholesalers and Jobbers): Chairman, George Kirschhoff, Theo. Poehler, Mercantile Co., Lawrence, Kan.

11. Hardware, Auto Supplies and Allied Lines: Chairman, J. H. Sealey, Belknap Hardware & Mfg. Co., Louisville, Ky.

12. Heating and Plumbing: Chairman, J. T. Brown, Jr., Haines, Jones & Cadbury, Philadelphia, Pa.

13. Implements, Vehicles and Allied Lines: Chairman, H. J. Forsdick, Fairbanks, Morse & Co., New York City.

14. Iron and Steel: Chairman, A. H. Fabbri, Northwestern Expanded Metal Co., Chicago, Ill.

15. Jewelry: Chairman, O. R. Hirt, Juergens & Andersen Co., Chicago, Ill.

16. Newspapers: Chairman, John C. Rugenstein, Indianapolis News, Indianapolis, Ind.

17. Paints and Varnish: Chairman, T. G. Murphey, Sherwin-Williams Co., Newark, N. J.

18. Paper Supplies and Allied Lines: Chairman, F. G. Holmes, C. P. Lesh Paper Co., Indianapolis, Ind.

19. Petroleum: Chairman, K. R. Hankinson, Tide Water Oil Co., New York City.

20. Stationery, Printing and Office Appliances: Chairman, H. J. Broomhall, Kalamazoo Loose Leaf Binder Co., Kalamazoo, Mich.

There are several ways in which members of the Association, whether they are planning to attend the Convention or not, may co-operate with the Trade Group chairmen. First, write to the Chairman of the Group in which you are interested and suggest to him topics for discussion and the names of credit managers who would be qualified to prepare talks, papers or reports, or to lead discussions. Second, tell the Chairman whether you plan to attend the Convention. This will give him a line on the probable attendance in his Group, and thus help him and the Director of Research to make definite arrangements for meeting rooms for the sessions. Finally, give some thought in advance of the Convention to the questions that will be asked in connection with the annual Trade Conditions Survey, which is one of the most important and interesting features of every Convention.

These questions are:

1. Were your collections for April, 1926, as compared with March, 1926, better, stationary or worse?

2. Were sales in dollars for April, 1926, as compared with March, 1926, better, stationary or worse?

3. Were collections for April, 1926, as compared with April, 1925, better, stationary or worse?

4. Were sales in dollars for April, 1926, as compared with April, 1925, better, stationary or worse?

5. What are your prospects for business in the next three months (June-September)?

6. What are your prospects for business in the next six months (June-December)?

The Director of Research is desirous of assembling the largest possible number of replies to this questionnaire, and therefore asks the co-operation of all the members of the Association, whether they are able to attend the Convention or not. Those who do not plan to attend are urged to write to the Director, on or about May 10, and ask for a blank on which to report answers to the questions listed above. Replies sent in by mail will be consolidated with those turned in at the Group meetings, and the results of the survey will thus be far more significant than if they were limited to convention returns only.

In conclusion, a special word should be said in behalf of the new Groups. Messrs. Doyle, Dalchow and Broomhall, whose addresses are given above, will be particularly grateful for suggestions concerning their Groups. It is naturally more difficult to build a new Group "from the ground up" than to carry along one that has functioned successfully at previous Conventions. Members of the Association who are connected with building material, confectionery, stationery, printing or office appliance concerns are therefore earnestly urged to get into immediate touch with the chairmen of the designated Groups, and to give them the benefit of their hearty co-operation.



REGISTER

In Advance

*And Smooth the Way
for Yourself and
the Other Delegates*

DON'T delay. Register in advance. Avoid the confusion that results at conventions where delegates register on arrival. This year we want to register ahead of time as many delegates as possible to the N. A. C. M. Convention.

As soon as your registration is received by the secretary of your local Credit Men's Association he will take care of securing all your credentials from the National office. (If you are an *individual member*, not affiliated with a local association, the National office, One Park Avenue, New York, will forward your credentials.)

Each delegate will pay the usual registration fee of \$10.00 and \$5.00 each for members of his family or his guests. There will be no additional charges for the entertainments that will be provided by the Entertainment Committee.

Register now by communicating with the secretary of your local Association of Credit Men or with the Convention Director, National Association of Credit Men, One Park Avenue, New York, N. Y.

If, after registering, you find that you cannot attend the Convention, your fee will be refunded to you.

The Merchants Association's Welcome

By Lucius R. Eastman

Hills Brothers Company, N. Y.

President, The Merchants Association of New York.

NEW YORK has waited since 1905 for another annual convention of the National Association of Credit Men to come to town.

I can assure every credit executive who attends the convention here in May of this: A welcome awaits him that will make him feel he is visiting a hospitable and warm-hearted community. Knowing something of the comprehensive plans the New York Credit Men's Association has developed, both as to business and entertainment programs, I am sure that no credit manager can afford to stay away.

As for The Merchants Association, our headquarters in the Woolworth Building are easy to find; and our latch string is hanging out for every delegate to the Credit Men's 31st Annual Convention.



LUCIUS R. EASTMAN



Courtesy Merchants Association

TOWER OF THE WOOLWORTH BUILDING

The illuminated tower of the Woolworth Building rises above City Hall Park, New York City. In the lower center of the picture is the old Post Office building, and above it farther down Broadway is the Singer Tower, also contributing to a New Year's Eve illumination. The Woolworth Building cost about eleven million dollars, one million of which was spent on beautifying the building. Made possible by millions of cash transactions in the Woolworth retail stores, this building project was carried through virtually without the mortgages and loans which are part of the usual building enterprise.



Courtesy Merchants Association

MUNICIPAL BUILDING, NEW YORK CITY

This unusual structure, which houses Municipal, State and Federal offices, stands astride Chambers Street at the Manhattan end of Brooklyn Bridge.



Courtesy Merchants Association

LOWER MANHATTAN AFTER SUNSET

The Singer tower is the highest building in sight as we look down Broadway from the Woolworth Building.

CENTRAL PARK, NEW YORK

In contrast to the masses of steel and cement which are considered characteristic of New York City are the public parks in the city's five boroughs. The most famous is Central Park, laid out some seventy years ago, several miles north of the center of population at that time.



© Galloway

"Preserve Prosperity!"

Message from National Association President

AS LONG as men engage in the activities of commerce there will be fairs, expositions and conventions to bring people together through one of the greatest binding forces in the world—a common interest.

The men and women who will go to New York in May to the convention of the National Association of Credit Men from all over the country will go naturally in the common interest of raising the standards of the credit profession and preserving prosperity in the land. But they will come also in a holiday spirit and with the feeling of good fellowship that always characterizes assemblages of credit managers.

We are learning more and more that work can be taken just as seriously and perhaps performed better when it is flavored with a dash of play.

But who needs advise his fellows to seek instruction, inspiration and diversion on a visit to New York—the great workshop and playground of the western world? *Let's go.* New York will greet us with a smile.



Richard T. Dader

President, N. A. C. M.



Courtesy Merchants Association

GRANT'S TOMB

The chief monument on Riverside Drive, New York, is Ulysses S. Grant's tomb, which overlooks the Hudson River.



© Galloway

GRAND CENTRAL TERMINAL, NEW YORK

To the east of the station is seen the Commodore Hotel, the N. A. C. M. Convention Headquarters.



Courtesy Merchants Association

LIBRARY OF COLUMBIA UNIVERSITY, NEW YORK

Near it stands the statue of Columbia's greatest son, Alexander Hamilton. At this statue delegates to the N. A. C. M. Convention will hold on Sunday, May 23, a ceremony in honor of the financial genius who served the United States so well in the early days of the Republic.



Feel at Home in New York!

Says N. Y. Credit Men's President

FOR many years New York has labored under the reputation of holding itself in cool dignity and indifference toward visitors from other cities. Some national associations, which accept this legend, have even avoided New York for their annual gatherings. Consequently New Yorkers have been recipients of the wonderful courtesies of the South and the big-hearted hospitality of the West, yet they have had little opportunity to reciprocate.

In spite of the myth of New York's indifference, we intend to prove that New York can give as warm a welcome (I do not refer to the temperature) as any city in the country. Come and see for yourself during the week of May 23 that New York does not lack in good feeling and hospitality.

Your house undoubtedly does business with New York concerns. You will profit by visits to your customers or your sources of supplies; and you will also be glad of the opportunity to talk with your metropolitan banker or spend a couple of days with those persons you have never met but with whom you have corresponded.

The New York Association is planning our largest and most useful national convention. We will not accept any excuses for your staying away.

We are going to make every man and woman who comes to the Thirty-first National Convention *feel at home in New York* and we extend to you all an urgent, whole-hearted invitation.

W. B. Pouch

Vice-President, N. A. C. M.



*Hotel Commodore, Convention
Headquarters*

Hotel Reservations

**Make Your Choice
of Hotel from the
Hotel Booklet and
Act At Once**

MAKE your hotel reservations as early as possible. A booklet explaining the hotel facilities for our National Convention has been mailed to each member and additional copies may be obtained from the offices of local secretaries.

We have made every necessary preparation so that your visit in New York will be most agreeable. You can help us to make these arrangements the very best possible if you will cooperate with us by sending in your reservations *now*.

Address all correspondence to H. C. Bainbridge, Jr., Chairman, Hotel Committee, New York Credit Men's Association, 320 Broadway, New York, N. Y.

We Will Set the Pace at the 1926 Convention

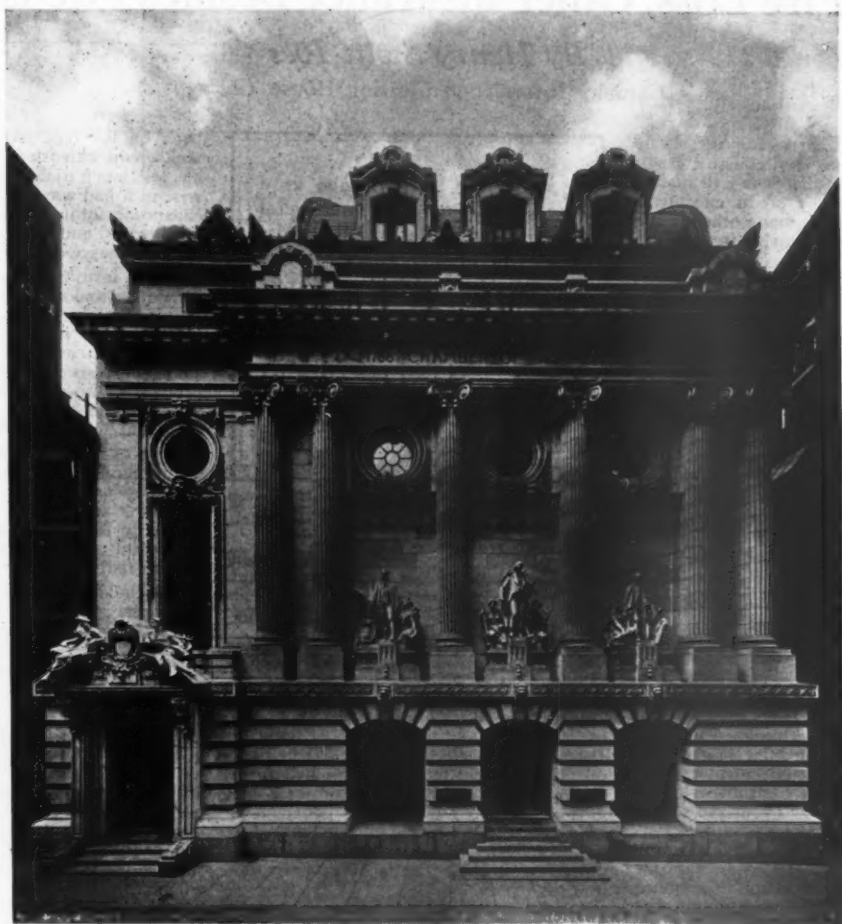
A TELEGRAPHIC message to the CREDIT MONTHLY from Frank D. Rock, Armour and Company, Denver, Colo., Vice-President of the National Association of Credit Men, says:

"All roads lead this year to New York City and our National Convention. From the standpoint of significance the 31st Annual Convention of the National Association of Credit Men scheduled for May 24-28, 1926, bids fair to excel all previous records and set the pace for years to come. The National Office Headquarters of the Association and the General Convention Committee are collaborating to make the program most comprehensive, instructive and entertaining.



VICE-PRESIDENT ROCK

"Here is an opportunity to profit by hearing speakers of national renown on pertinent current topics, to engage in discussion on questions of vital interest, to enjoy the hospitality and entertainment furnished by our splendid New York brothers and finally, to participate in that wonderful and inspiring fellowship that has brought paramount recognition of our association in commercial and Government circles."



CHAMBER OF COMMERCE OF THE STATE OF N. Y., FOUNDED 1768

Greeting from the State Chamber

By William L. De Bost

Chairman, Executive Committee

The Chamber of Commerce of the State of New York extends a hearty greeting to the National Association of Credit Men for its Thirty-First Annual Convention to be held in New York City, May 24 to 28.

The Chamber thoroughly appreciates the splendid work which the Association has done in the past and wishes it every success for the future.

If this Chamber can be of service to the delegates, during the convention, or at any time, please do not hesitate to let us know. The officers will be pleased to welcome to our building, 65 Liberty Street, any of the delegates during their stay in New York City.

Insurance As Credit Collateral

Against Fire Loss, Other Insurance Besides Fire is Needed

By Henry Swift Ives

Casualty Information Clearing House, Chicago

IN THE March CREDIT MONTHLY, I said that fire insurance is of course a credit fundamental, but that it is well understood nowadays by credit executives generally that there are many other insurance lines which are of major importance.

Life insurance is one of these lines that is closely related to credit. This is appreciated by the credit executive called upon to authorize the shipment of goods to one man concerns. There is many a manufacturing or merchandising establishment built around the capacity and following of one man. In such cases, creditors certainly increase their own peace of mind by insisting that the establishment shall carry life insurance on the key-man sufficient to enable the enterprise to survive in case of his death.

"Marine" Insurance Not Only Marine

In the present series of articles, fire and marine insurance will be grouped together, as they usually are (although they differ materially) in any discussion of insurance. The reason they are so grouped is perhaps that both are for the most part written by the same companies. In the minds of most people marine insurance has always been associated—and very naturally—with vessels and cargoes on the high seas; but it really covers practically all movable property while in the course of transportation, whether by land or sea. From the standpoint of the average credit executive it is seldom of vital importance and need only be inquired into on special cases. Fire insurance, however, is of prime importance and is more closely interwoven into the credit structure than any other kind of insurance protection.

So much has been written concerning the relationship between fire insurance and credit that it seems hardly necessary to enter into any protracted discussion of that subject here in the CREDIT MONTHLY. It is obvious that if a manufacturer or wholesaler is to feel certain that he will receive pay for the goods he sells to the retailer he must satisfy himself that the retailer has procured sufficient fire insurance on his stock. If he does not do this he is taking two risks, the ordinary credit risk and the risk of loss by fire.

The annual fire waste in America exceeds \$500,000,000, despite the strenuous efforts of the National Board of Fire Underwriters and allied organizations to educate the American people in prevention methods. And it undoubtedly is true that if this campaign should be dropped the fire losses would increase rapidly. Credit managers have worked hand in hand with the insurance interests in fire prevention efforts because they are perhaps more aware than any other single class of the financial and economic losses due to our national carelessness with fire.

Fire insurance, however, standing alone, is often not sufficient protection against the financial loss caused by fire. It only pays for the property actually destroyed up to the amount of the policy. There are

CASUALTY Insurance as a stabilizer of commercial credit will be described by Mr. Ives in an early issue of the CREDIT MONTHLY.

Comments will be welcomed on this series, which is designed to cover the whole subject of insurance as it relates to credit.

—The Editor.

other very material losses due to fire which must be met in some other manner.

Several varieties of insurance have been provided to meet these needs, among them being use and occupancy insurance, rent or rental value insurance, leasehold insurance and profits insurance.

Business Interruption Indemnity

Of these use and occupancy, otherwise known as business interruption indemnity, is most important. This is designed to indemnify the assured for the loss he may sustain by reason of being prevented from occupying and using his plant or store due to the disaster covered by the policy. It is written not only in connection with fire insurance, but with explosion, riot, strike, tornado and other forms of calamity insurance.

Briefly, use and occupancy insurance is designed to cover the loss of net profits growing out of the interruption of business; also, the obligations represented by certain fixed charges and expenses, including taxes, salaries to permanent staff, interest on borrowed capital, insurance premiums, advertising, royalties for machinery or processes, other yearly contracts necessary to the maintenance of the plant, cost of lighting, heating and general maintenance consistent with a condition of idleness and all other items of overhead expense which would need to be continued during the period of interruption.

By some, this form of insurance is thought of only in connection with large enterprises. As a matter of fact, the smaller manufacturers and merchants need this protection as much as do the larger. There are many cases in the files of credit managers and of the insurance companies illustrative of this point. Very recently a small but successful manufacturer of toys in an eastern city suffered a fire loss of about \$75,000. He was fully covered by fire insurance, but the interruption to his business came while he was just starting in on his holiday orders. He tried to hold his skilled artisans together while he was rebuilding, he had difficulty in finding a suitable temporary location, he was forced to surrender many valuable contracts and was beset with many other extraordinary difficulties. He is now struggling to get

back on his feet, has been compelled to seek credit extensions from his creditors, has lost much of his business and is otherwise in a bad way financially. Use and occupancy insurance would have saved him much grief and possible bankruptcy, and his creditors would now be resting easy.

Profits insurance is somewhat similar. In a way, use and occupancy insurance covers profits, for the assured is reimbursed for the estimated net profits lost during the period of interruption. But there is also available a special profits contract which protects against the loss of promised profits on specific goods sold and manufactured but not delivered.

Rent or rental value insurance covers against loss of the rent or rental value of improved property by reason of fire. An owner occupying his own property and forced to seek other quarters recovers to the extent of the rental value until it can be restored.

Leasehold insurance assures the holder of a lease against loss by reason of necessity to relinquish the lease following a fire or some other disaster. Thus a tenant forced to move may recover any additional rent incurred during the period of the original lease.

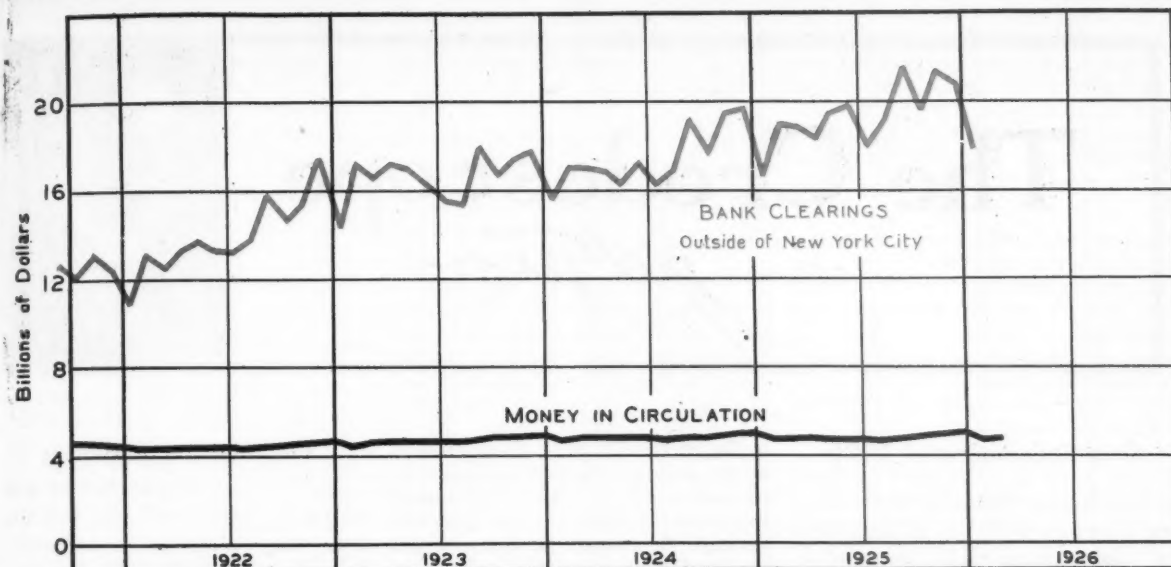
Importance of Windstorm Insurance

There are other forms of insurance protection afforded by fire companies which it is important for credit managers to know about. In certain sections earthquake insurance is considered necessary; elsewhere windstorm insurance is required. The latter, especially, is often called the "twin brother of fire insurance," and is of such major importance that it hardly can be classed as a side line. The Santa Barbara disaster of 1925 is still fresh in our minds and is sufficient evidence of the need on the Pacific Coast of some consideration of earthquake insurance. The great tornado of last summer which passed through southern Illinois and Indiana ought to be enough of a warning against the dangers, particularly in the Middle West, from such catastrophes. It is unfortunately true that most of the merchants wiped out by this great storm were without windstorm insurance.

Another fire insurance coverage of moment is known as sprinkler leakage insurance. This protects against the loss due to damage by water caused by leakage from automatic sprinkler heads or pipes, or through the opening of these heads from any other causes than fire. Many large losses have been occasioned by such leakage, and from the standpoint of the credit manager it is sometimes most desirable that an investigation be made as to whether this kind of cover is provided by the buyer of goods.

There are of course many other forms of protection afforded by the fire companies, but I think I have touched on those of the greatest interest to credit managers. The insurance of goods in transit is, how-

(Continued on page 30)



Money And Banking

Fourth Article in Credit Monthly's Series on Economics

By Bernard Broudy, B.S., M.B.A.

Assistant to Director, Department of Education and Research, National Association of Credit Men

OBVIOUSLY it is not money itself that makes it so desirable but what it can be exchanged for, what can be purchased with it. Without a medium of exchange, we should revert to the ancient system of barter with all its attendant difficulties of finding someone with something you wanted who desired to exchange it for something you had. With the growth of specialization barter became more and more difficult. The barber who wanted bread would have to find not merely a baker, but a baker who wanted his hair cut. The baker who wanted his hair cut would have to find not merely a barber, but a barber who wanted bread. The specialists, therefore, must exchange their specialties. Barter is the first and simplest form of exchange.

Indirect exchange, through some medium, is known as buying and selling. As Clay says, "The medium of exchange may be almost anything, provided it is generally acceptable." The sole object of having a single medium of exchange is to obviate the inconvenience of barter. But inconvenience remains if some sellers refuse payment in the accepted medium. The reason why a man with anything to sell will always accept payment in money is that he knows that every one from whom he may wish to buy will accept money in payment. If any number of people refuse to accept a medium in exchange for their goods, then its usefulness disappears. Cattle, slaves, tobacco, salt, leather, beads, silver, gold, paper and several other things have in different countries and at different times been used as the medium of exchange, and, consequently, as the standard of value. These media of exchange served just so long as they were generally acceptable; they gave way to something, or to barter, when for any reason many people hesitated to accept them in payment for goods."

It is important that the medium have some intrinsic value, some utility for other purposes than exchange in order that it have the fundamental quality of general acceptability. Cast iron tokens could pass from hand to hand as easily as gold, more easily because of the lighter weight, and would make as good an exchange medium if people would accept them. But experience has proved many times that people are reluctant and unwilling to part with their goods in exchange for counters with no inherent utility. In the long run they have faith only in money which derives its value not from government authorization but from its own intrinsic physical properties. This principle may seem to suffer contradiction by the use of bank notes and checks, since the paper of which they are composed has no relation to their value, but the contradiction is merely superficial, as the paper is a legal document giving the owner a title to so much gold or silver.

Precious metals, particularly gold, have superseded all other commodities as money for the reason that they have to a greater degree than any other commodity the qualities required in a medium of exchange. They are compact, they are durable, they are divisible without loss of value, they are easily recognizable and are not subject to great changes in quantity. None of the other commodities mentioned above has these qualities to the extent that gold and silver have.

For the convenience of handling, the metals are usually coined. At first they were measured by weight, a "pound" was a pound weight of silver. The process of coining was merely an authoritative guarantee of weight and quality, to save the time of weighing and testing each time a purchase was made. Metals stamped this way were also more convenient to handle and circulated more freely. The

governments assumed the monopoly of the coining process and in exchange for the convenience of coined money would put less than the full amount of metal into the coin. This profit or charge for coining is called *seigniorage*. Today most governments take no seigniorage, but they do keep back out of the metal coined just enough to cover the cost of coinage. This small charge is called *brassage*. In the United States a brassage charge is made to cover the cost of preparing the bullion for coinage, but no charge is made for the coinage itself. An ounce of gold at the United States mints is worth \$20.67. Gold is *legal tender*, that is, the offer of it must be accepted in settlement of any debt. The silver dollar enjoys the same rights; smaller coins, known as *token coinage*, are legal tender only to the amount of five dollars if silver, and twenty-five cents if nickel or copper.

A piece of paper with the words "One Dollar" printed on it has of course no intrinsic value. If, however, the printed piece of paper can be exchanged at will for a gold dollar, it becomes at once worth as much as the gold in a gold dollar. Such paper is called *convertible* paper money. If it cannot be redeemed for gold at option it is called *inconvertible* or *fiat* money. The latter is paper which has no value except that bestowed upon it by government fiat or decree. A limited number of inconvertible paper dollars may be issued without doing any harm, but an overissue will reduce their purchasing power and raise prices. Also the people will prefer to spend the fiat money in preference to the convertible money and will withdraw the latter from circulation. This tendency for "bad" money to drive "good" money out of circulation is called "Gresham's Law". "Bad" money may be either paper which cannot be exchanged for good coin, or

(Continued on page 31)

The Credoscope

J. V. Tregeoe



Our Convention of 1926

It is strange that man, God's fairest creation, should have no power of spontaneous self-improvement. The spark of self-improvement is generated by human contacts; therefore, man, who is social, should never attempt to live alone.

There are strong human tendencies to isolation which are very difficult at times to resist, but which, if unresisted, inevitably lead to deterioration. The most illuminating spark created by the rubbing up against one another is what we term co-operation. This term is opposed fundamentally to isolation. By a long stretch of the imagination the co-operation of a man with himself may be conceived of, but in general acceptance, the term expresses that wholesome contact of men with one another for the working out of their individual and their common interests.

Observe what happened in this country's commerce during the last decade of the Nineteenth Century when co-operation began to be substituted for destructive isolation and there was given to the Nation a dynamic force which responded in an accumulation of wealth, capital and influence exceeding the total accumulation in the previous hundred years.

Native ingenuity may remain undeveloped, like a seed without moisture, unless something brings it to the surface and gives expression to its powers. Facilities for credit developed slowly until the mingling of human minds developed a technique upon which has been founded our modern credit commerce.

Nothing is more dangerous than to indulge the tendency to isolation

or the personal bigotry which frowns at the ability of others to incite or to furnish ideas. The contributions to credit technique and practice through the annual meetings of the National Association of Credit Men are beyond computation. We merely know that since the Association called into annual meeting the credit managers of the country, there have developed more practical, useful and protective ideas in credits than were ever before conceived.

If you wish to grow, get out into the sunshine and exercise. If you wish to diminish, live in the shadow of your own work and refuse the human touch.

These are the ideas that arise naturally as we approach the thirty-first annual convention of the National Association of Credit Men, May 24-28, 1926, of which the New York Credit Men's Association will be host. If there is the wholesome impulse to know what is going on in the credit world and to receive new ideas of credit technique and progress, then this meeting will furnish the satisfaction and prove immensely attractive. We have gone none too far in our knowledge of credit principles and in the study of methods by which credit may be practically and safely used. The clinic of the annual convention is therefore the source always of inspiring information and the drawing together of credit workers who feel the laudable ambition of knowing all that their profession can give.

At the New York Convention of 1926 we anticipate a large gathering of earnest, devoted and information-seeking credit managers. The convention offers an opportunity which ought not to be neglected by anyone; and those concerns who are members of the Association, prizing the economy and protection of intelligent credit practices, should see that the managers of their credit departments attend. There will be room and a welcome for everyone.

The Federal Judiciary

No event of modern history was, in my opinion, more far reaching than the American Constitutional Convention of 1787. To place thirteen independent and self-governing States under a Federal control, by means of a Constitution of strength and character, was an extraordinary forward step in political economy, and the results have given to democracy its high and inspiring position.

Under the Articles of Confederation,—a weak and wobbly instrument,—the thirteen States had not co-operated. Their commerce was in a jumble, and dependence upon their good will and good faith in carrying out the laws of Congress brought about a travesty which, if continued long, would have resulted in foreign intervention and the destruction of the independence for which the Colonists had so fought.

To sit in the Constitutional Convention was a great privilege as well as a dangerous responsibility; and its personnel was selected from the wisest of the people. The question arose,—and it was the most difficult question of the Convention,—how shall the Constitution and the laws of Congress under the Constitution be executed in the various States? Leaving their execution to the good faith and the good will of the States had been shown to be a mere straw under the Articles of Confederation. Something better and more practical had to be devised.

Establishing federal courts and a judiciary in the various States for the execution of federal laws and to preserve the integrity of the Constitution was the expedient decided upon after a long and serious debate.

This co-ordinate department of our Government,—the Judiciary, has done as much for the progress of the country and its stability as any power within the Nation. Without

such a department I am confident that the Constitution and the States would not have held together. The judiciary of the United States is so important to its welfare that the men appointed to the Federal bench must be of a superior ability and with judicial qualities sufficient to command respect and to maintain this co-ordinate department of our Federal Government adequate for every need and emergency.

Though compensation in other fields has advanced, consonant with the higher costs of living, yet the Federal judges have had to work for compensations so disproportionate to their importance and abilities that the future of the Federal bench is in peril unless this unfair situation is corrected. A Federal judge of great eminence said to us recently: "I am deeply concerned that the future of the Judiciary should be fairly safeguarded. I am free to say there never was a time when its future was more in jeopardy than at present."

Imagine, if you please, what would happen to this country if there were any deterioration in the Federal Judiciary and we could not command for this department of Government the sterling, able, just men required for the administration of Federal laws! With deep earnestness, therefore, I ask my readers to manifest a keen interest in this serious situation and to give ardent support to the bills offered in the House of Representatives by Mr. Graham, the bill known as H. R. 7907, and in the Senate by Mr. Reed, the bill known as S. 2858. This legislation provides moderate increases in the salaries of Federal judges. Even if granted, these increases will not place the Federal bench on a parity with the compensations allowed the judiciary of many States.

Another Side of the Nation's Inventory

The Credoscope for this issue of the CREDIT MONTHLY may seem to contain an undue proportion of preaching; but I must confess a strong tendency in that direction in these days when clouds obscure some of our most important issues.

It is a little too early, perhaps, to take an inventory of the Nation for 1925; but we are well assured that its income approximated \$600 per person, that it added generously to the Nation's wealth, that the credit circulation exceeded all former years, and even taking into account the reverse side of the balance sheet and the pending dangers, it

was, after all, a pretty good year from a material viewpoint.

In our constant urge for material wealth, for the things that will buy other things, for the ability to gratify our appetites, we tend to lose sight of this very important fact: Unless there is a parity of development in our material and spiritual lives, the Nation is in danger.

What can we say about 1925 in our spiritual development? Did it record a large increase in the religion of business? Did men take a stronger hold on things that never wear out and are as permanent as eternity itself? I am inclined to believe that this side of the Nation's inventory does not show a large balance, that we have not thought very much about it nor given much attention to this aspect of the balance sheet in our breathless rush for material wealth.

One nation does not differ much from another nation when granted the same circumstances and conditions. We note from the pages of history the lack of parity in the material and the spiritual development of nations when the material submerged the spiritual and nations failed and passed into oblivion. We were granted an intrinsic wealth when inheriting our part of the North American Continent; but I believe that the finest inheritance we have had was the traditions of our forefathers and that the strongest and best part of the Colonial life was founded on strong religious principles.

We must have faith or perish. We must build up the religion of business or suffer the consequences of a serious neglect. Mine is a feeble voice crying in the midst of a great turmoil, of a constant surging for material things; but it is a voice of one who, loving his country, is anxious that his country should endure.

Casting up therefore the various items of the inventory of the year 1925, let us reflect upon our spiritual development and see how far short it was of our material progress. A new patriotism is demanded of us, a patriotism which discards self as the main subject of our thoughts and recognizes that the Nation's business, that the Nation's honor, that the Nation's endurance are not safe unless spiritual things command a proper part of our concern and our perseverance.

The Value of Veracity

I have often wondered whether one quality more than another would account for the unique and deserved

leadership of Abraham Lincoln in our Nation's affairs. After thinking the question over for a long time and studying this wonderful character from many viewpoints, I became convinced there was an outstanding quality that made this man great; namely, veracity.

Lincoln loved the truth and on truth was founded his splendid character. When a struggling lawyer, badly in need of fees, he was approached by a would-be client who had a technically good but an equitably bad case. After pondering the situation for some little while, Lincoln said to this would-be client: "Were I to accept the case when pleading before the jury, I should say to myself so frequently, 'Abe Lincoln, you're a liar,' that after a while I should say it aloud and defeat the case."

Lincoln, though exceptional himself, is an example of what veracity will accomplish for anyone. There is no quality of character which tends so much to integrity, to soundness, to progress and to leadership as the telling of the truth at all times and in all circumstances. The truth sometimes seems harmful in certain circumstances or in serious pinches; but the truth never harms permanently. It brings its reward if one is but patient enough to wait upon it.

In the morals of business, in the ethics of credit, veracity is the most highly needed quality. What does it profit a man to misrepresent the goods he is selling or his affairs? What good is accomplished in credit work by giving an inquirer a false report of a debtor's standing, to say things which look protective on their face but under the surface have a selfish purpose? We cannot build up the morals of business or the ethics of credit without a faithful adherence to truth, no matter how urgent the circumstances may be or the temptation to prevaricate.

What a loss it would have been to our history had Abe Lincoln lacked veracity. He would have remained a struggling lawyer in Springfield. His name would not have dignified American history, his statue would not have looked upon the Houses of Parliament in Westminster. So it is with some who remain obscure. They have failed in leadership; they have offered nothing to the Nation's upbuilding because they lacked veracity, because they put their faith in lying.

Of all human qualities, truth in season and out of season yields the largest profits.



The young man went up the steps wondering where he could find Dorothy

Advice from Dorothy's Father

Cash Hardly Exists in his Slow but Honest Village

By H. P. Preston

THAT Frank Graham did not gasp audibly was only because of conscious control. Never before had he seen such a jumble of merchandise in one place. The sign outside read, "Eben Harper, General Merchandise." "General is right," he reflected. No wonder Harper was slow pay. A man with a shop like this evidently had no merchandising sense.

The place seemed literally crammed with goods of all kinds. Slickers and china, rubber boots and oil stoves, dress goods and groceries, not to mention countless other items, created an impression of wild disorder on the mind of one accustomed to well arranged city department stores. The air was redolent of spices, rubber, tobacco and the hundreds of other odors that would enable even a blind person to detect the country general store if he had ever made the acquaintance of that institution.

"Is there anything I can do for you?" Graham, deep in his study of the store, was a little shocked to find himself addressed by a young girl who, though plainly dressed, was undeniably pretty. Like many city dwellers entirely ignorant of country life, he instinctively looked down upon the rural districts, mentally classifying their inhabitants as "rubes."

"I'm from Carey, Hodges & Larkin . . ." he began.

"Oh, are you a new salesman?"

Graham's impulse was to blurt, "You sure have a pretty voice." Instead, he

answered, feeling unaccountably guilty,

"No, I'm the new Credit Manager. My name is Graham." He gave her a card from an unused card-case. "I'd like to see Mr. Harper, please."

"Dad'll be back in just a minute. Won't you make yourself t' home until then, Mr. Graham?"

"Thank you. I'll look around."

"Certainly—and you'll excuse me?"

Graham's bow was Chesterfieldian. He watched the girl as she vanished in the rear of the shop. After all, he reflected, old Harper is *good*—only he's so darned slow. He checked himself sharply. Never before had Frank Graham, young as he was, let sentiment enter into his business calculations even in the form of a reverie.

The reason for his being in this funny little one-horse village store was because Eben Harper was one of the few blots left on his credit department record. Practically every other account was on its toes and discounting promptly. But Harper took six months' time and his only answer to tactful collection letters was the uniform reply:

"Will pay when I can, as usual. E. Harper." It was irritating.

Two days ago an order from Harper had come through. Graham had spoken to Blaine, the Sales Manager, about it. Both men had been a trifle hasty in their manner, and their relations had, for once, become a trifle strained. Graham had

refused to O. K. the order and had come to make a personal investigation of the matter. He hoped to make an arrangement for prompt payments with Harper.

A more careful inspection of the store showed that there was in fact some order in its arrangement. Related goods were more or less grouped together. But the display was bad. Graham's Business Service ideas, as put forth by the National Association of Credit Men, leaped to the fore. Help the old chap with display and maybe stage a sale or two. Turnover, he reflected, must be mighty slow on some of the items stocked. Perhaps a special price here and there might help.

Just as he was working up some really good business ideas for Eben Harper, a voice cut into his thoughts.

"You wish to see me?"

Graham turned to face a tall, rather lean man of about fifty years. His face had a rugged quality and his deep set eyes, while calm and apparently expressionless, gave one the feeling of a philosophy and mirth that lurked beneath.

"Mr. Harper?"

"Yes."

"My name's Graham."

"Glad to see you Mr. Graham." This was accompanied by a grave, but cordial handshake. "Sit down?" He motioned to a nearby chair.

(Continued on page 37)

Burroughs



Will *any* of the Dollar be left for you ?

More than half of the customer's dollar must go for merchandise.

Most of the remainder must go to pay rent, salaries, taxes, overhead.

Even with the best management only a few pennies of each dollar is the net profit from your business.

But do you know how much of it is rightfully yours, and do you get it?

The Burroughs Simplified Accounting Plan each day gives you all the facts about your business.

It stops leaks and losses—prevents errors—watches expenses—increases profits.

Thousands in your line of business have tried it, proved its ability to increase their profit.

Write today for complete details.

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ADDING · BOOKKEEPING · CALCULATING AND BILLING MACHINES

Answers to Credit Questions

By Frank G. Hathaway

Manager, Department of Service

National Association of Credit Men, One Park Avenue, New York

Q. Is there a new bulk sales law in the State of Washington?

A. Yes. Copy of this law is available upon request from this office.

Q. If a shipment arrives at a freight depot and the depot burns before goods are removed, assuming that the liability as carrier has ended and the liability as a warehouseman begun, can the railroad company legally dishonor a claim for the loss?

A. In accordance with the general principles of law relating to the liability of warehousemen, the carrier as warehouseman is bound to use ordinary care in the keeping of the goods and will be liable for negligence in causing injury thereto. This, however, is the extent of his liability. The carrier as a warehouseman is not liable for loss or injury caused by fire or due to his negligence. (See Corpus Juris, Section 346-348.)

Q. In the 1926 "Credit Man's Diary and Manual of Commercial Laws," the recording fee for contracts in the State of Kentucky is given as approximately \$2.00. We find that in some counties the fee is \$1.25 and in others \$1.50, so that we are at a loss to know just what fee to send with the contract.

A. The recording fees invariably are at the rate of so much per folio. It is therefore impossible to predict the exact cost of recording a paper, and the safe thing to do is to send to the recording officer enough to cover the charge and something for good measure. In other words, if you send \$2.00 with the request that the excess be refunded, it would do away with the possibilities of having the recording held up.

Q. Would the following telegram be considered libelous? "Impossible to grant further time covering long past due account. Must demand payment by April 15 or take legal action without further notice."

A. We see nothing libelous in the form submitted. The important point in telegrams of this kind is to avoid any imputation of fraud or sharp practice on the part of the debtor and to avoid any threat of criminal prosecution.

Q. We have been lax in forcing our discount rule and now desire to enforce our terms rigidly. Do you advise going about it gradually or putting on an education campaign among customers; or would you simply make an announcement that the ruling is going into effect immediately?

A. The buyers are educated to the meaning of terms. Therefore, it is simply a case of enforcing your own rules. If you have been lax in so doing, it may be well to warn your customers of your action. We are inclined to believe that a bad habit should be stopped immediately. Few bad habits are stopped gradually.

Q. How can some collection agencies guarantee to collect certain stipulated amounts? Do you know of any particular power they have to collect that makes it safe for them to guarantee the account?

A. We have never discovered this power, if there is any. The only reason these agencies can guarantee certain amounts collected is because you have first guaranteed to furnish them with collectable accounts in such quantity and number that makes it possible for them to guarantee the collections. In addition to this, you finance them, which makes it not only possible to offer the plan to you, but, in addition, you pay their salesmen for selling it to you. Investigate your collection agency as you would your customer!

Q. What information do you consider a complete credit file should have?

A. It is my opinion that it should first have the opinion of the salesmen, a mercantile agency report, an opinion from the customer's banker, an interchange bureau report, and information obtained through direct inquiry from other creditors selling the account, together with an application from the customer for credit in the form of a financial statement, etc. In order for a credit file to be complete, it should be balanced; that is, all information should be in harmony and be in verification of the facts.

Q. What should be the maximum amount of chance taken by the Credit Manager on accounts?

A. It is our opinion that the credit man should not take a chance. After all, he is not a gambler. His business is to weigh the evidence. The amount of credit should be determined upon the net results of the investigation made; that is, the good that overshadows the bad. Assets are in many forms other than cash. Likewise liabilities. A man may be insolvent from the Credit Manager's point of view, and still have a large cash reserve far in excess of the money owing.

Q. What part of bad debt losses could and should be avoided?

A. You will agree that you can look back over every bad debt loss and see where, by properly handling the account the loss would have been avoided. This is because our hindsight is better than our foresight. Losses occurring through insufficient information, improper revision of files at regular intervals, not heeding warning signals showing the debtor slipping, are losses that could and should be avoided.

Q. Should credit correspondence be used to increase sales?

A. Our reply to this question would be yes. It is said that a good credit executive can secure more new business for his firm than the star salesman. This has been demonstrated in many instances. We know of a Credit Manager who kept a record of the business actually secured by the Credit Department, and it was in excess of that secured by the star salesman of the concern.

Q. There is a collection organization which for a stipulated fee in advance sells a series of collection letters to be used on a stipulated number of debtors.

The understanding is that if a sum six times in excess of the initial payment is not collected, a refund will be made of three times the amount paid. They offer a check for this amount to be cashed in the event the service fails to collect.

A. We believe you will find that the check you refer to is a draft and that no bank is authorized to pay it upon presentation without its being authorized by the collection agency. You will probably find also that you are bound to a contract whereby it is necessary to follow the instructions on the form collection letters. All collection schemes should be investigated thoroughly and all contracts where money is paid in advance should be carefully checked by your attorney before signing.

Q. What is the outstanding information I can get from an interchange bureau report?

A. A record of an individual's or a corporation's transactions and the manner in which they are met. Facts, not predictions or recommendations.

Q. I want to compile a chart of business conditions. Can you tell me where I can get statistics on the following "business barometers": pig iron production, Federal Reserve ratio, bank clearings, wholesale prices, interest rates, and car loadings?

A. The Department of Education and Research of the National Association of Credit Men tells me that figures on pig iron production are compiled weekly by the "Iron Age." The Federal Reserve banks issue statements every Friday giving the reserve ratio as of the Wednesday of the same week. These statements are generally reprinted in the morning papers. Bank clearings are compiled by both Bradstreet's and the "Commercial and Financial Chronicle." Although the figures issued by each are not identical, they are very similar and for all practical purposes, either may be used. As to wholesale prices, many indexes have been made. Bradstreet's and Dun both have reliable ones, both in terms of dollars. Prof. Irving Fisher of Yale has a good index, using the 1913 average as 100. The U. S. Bureau of Labor Statistics has a very detailed index by groups and sub-groups, which is sent out each month in mimeographed form to anybody who asks for it. A schedule of interest rates is kept by the Standard Statistics Company and by the "Commercial & Financial Chronicle," and is published by them. Car loadings are issued weekly by the American Railway Association and are printed in the newspapers. More detailed reports are printed and mailed out two weeks after the end of the week reported on.

However, it is not necessary to go to all these sources to get the figures you desire. They may all be found in either the monthly bulletin issued by the Standard Statistics Co., Inc., or in the "Survey of Current Business," issued monthly by the U. S. Department of Commerce at Washington.

How do you judge adding machine values?

~by "likes and
dislikes?"

~or by logical
analysis?



"No, I think I like the other machine better."

"Why so?"

"Well, I don't know if it is any better, but somehow I like it."

In the office where this bit of conversation was overheard, the purchase of an adding machine was under consideration.

Apparently, the choice of machine was being decided on the basis of some one's likes and dislikes.

Do "likes and dislikes" govern the selection of equipment in your office?

Or do you insist on comparison by the only logical standard of values—that of production?

The conclusion arrived at by a

production test cannot be questioned. You can depend upon it that the machine which turns out the most work accurately, in the least time, is the machine to buy.

By "production test" is meant the actual performance of the additions and calculations of a cross section of the work of your office, including Payroll, Invoices, Inventory, Costs, Percentage, Sales, Distribution, Statistical Statements, Book Additions—any kind of work.

Before buying any machine invite the nearest Comptometer man to assist you in applying the production test to the Comptometer—and then compare the results with those obtained by any other means.

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it's not a
Comptometer*

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Comptometer
ADDING AND CALCULATING MACHINE

*Only the
Comptometer
has the
Controlled-key
safeguard*



Years of Work— Reduced to Ashes!



*An Executive Safe
—the best place
for your
valuable records*

WHY risk valuable credit information in an undependable safe or an unprotected card cabinet?

You have no positive assurance that fire will not destroy your office *tonight*.

The cost of dependable Executive Safe protection is surprisingly low. Other interesting details can be sent you *immediately*.

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CARDS . FOLDERS . GUIDES
CARD FILING DESKS . . . LABEL SAFES
and EXECUTIVES' SAFES
MUSKEGON, MICHIGAN



Gerson L. Levi Memorial Resolution

THE passing out of a useful life occasions sincere grief, but when the usefulness of a life is joined with a lovable character and an engaging companionship, the grief is unspeakable and this is the sincere feeling of the Eastern Division Directors of the National Association of Credit Men when recognizing the loss to the Organization and themselves in the passing away of Gerson L. Levi, of Philadelphia.

Joining his influence and his personality to the destinies of the Association in its infant days, he has never relinquished a deep affection for its welfare and was always willing to serve its interests without any desire or expectation of recognition. His counsels as a friend and an official have always reflected an excellent judgment and he will be missed at the Association's annual gatherings more than is our power to record.

To his dear wife, and his companion of many years, one whom he dearly loved, are the sincere sympathies of this meeting sent, with the hope that in the Heavenly Father's keeping she may find the comfort which no human sympathy can give.

To the Philadelphia Association, whose welfare he was always more than delighted to foster, and for whose interests he was always more than willing to sacrifice, are our sincere sympathies also extended.

A chapter in the Association's history is closed, but it will always be one of inspiration to those who will follow and look up with reverence to those who founded the Organization and were jealous of its powers to give a real direction and religion to the Nation's credits.

Samuel Newberger & Co. Accountants & Auditors

38 Park Row New York

Samuel Newberger
Member, American Institute of Accountants
Member, American Society of C. P. A. '8



THE RIGHT PLACE

OR the wrong place? In which category are the fire protection

devices in your plant? Have they been wisely laid out in an effort to secure maximum safety from fire?

There's a wrong way and a right way in fire prevention tactics. Our Engineering Department, composed of efficient fire prevention engineers, knows

the right way, and its cooperation has been the means of saving many of our

clients from serious fire loss and of securing for them the lowest possible insurance rate.

Wouldn't it interest you to know from competent authority that your fire prevention efforts are directed to *the right place*? An inquiry will bring an immediate response.

AMERICAN EAGLE
The CONTINENTAL

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FIRST AMERICAN

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ERNEST STURM, CHAIRMAN OF THE BOARD.
PAUL L. HAID, PRESIDENT.

The "America Fore" Group of Fire Insurance Companies



HERBERT E. CHOATE
Past Vice President, N. A. C. M.

Herbert E. Choate Resigns from Shoe Concern

AFTER twenty years of continuous association, Herbert E. Choate, who came to Atlanta from Athens, Ga., where he had been in business, has resigned as Treasurer of the J. K. Orr Shoe Company.

Mr. Choate is a former president and director of the Atlanta Association of Credit Men and was at one time a director and vice-president of the National Association of Credit Men. He was Chairman of the General Committee of the National Convention in 1923. He is very active in civic affairs and is considered one of the best authorities on credit in the south.

While his decision was not hasty, but was the result of careful consideration, Mr. Choate is not yet ready to make any announcement as to his future business plans. He is now enjoying a well-earned vacation. His wide circle of friends looks forward to wishing him the success sure to be his in whatever connection he may decide to make. His experience and tested ability in business equip him for big things in the years to come.

Insurance As Credit Collateral

(Continued from page 20)

ever, worthy of frequent consideration; but this is a special subject in itself and there is space only to mention it here.

In connection with fire insurance there is one feature, known as co-insurance, which credit managers are often called upon to explain to debtor merchants. To properly determine insurance rates, some uniform basis for calculating the premium is essential. For this reason fire rates are predicated upon what is known as a co-insurance clause—usually 80 per cent., but varying slightly in different communities and in accordance with circumstances. This co-insurance clause is nothing more or less than an agreement on the part of the insured to insure his property up to a certain proportion of its value. If he does this, the co-insurance clause does not operate. If he fails to insure up to the agreed percentage he becomes a co-insurer; that is, an insurer himself for the amount which he is "short"—just as if he had a policy in a company of his own for the amount of such shortage.

The purpose of this clause is to distribute the fire losses equitably among policyholders. Owners wishing to under-insure are prevented from shifting part of their burden to others who desire full protection. Rate discrimination also is avoided, and the rate concessions offered for co-insurance are an incentive to the policyholder to insure his property fully and to increase his insurance when there is an appreciation in property values.

When the 80 per cent co-insurance clause is in a policy and the property is insured for 80 per cent or more of its value, in case of a total loss the face of the policy is paid in full. When the insurance is less than 80 per cent of the value and the loss exceeds 80 per cent, the face value of the policy is paid. But when the loss is under the 80 per cent minimum required by the policy it is only paid in the proportion which the insurance bears to 80 per cent of the value. Thus, if the value be \$10,000, the minimum insurance required under the co-insurance clause will be \$8,000. If \$5,000 insurance be carried, then all losses under the minimum requirement will be paid in the proportion which \$5,000 bears to \$8,000, or five-eighths of the loss. On a \$6,000 loss, therefore, only \$3,750 would be paid.

Another article by Mr. Ives, in this series on Insurance and Credit will appear in an early issue of the CREDIT MONTHLY.



The first long distance call

THE first "long distance" conversation took place between Boston and Salem—a distance of sixteen miles—just fifty years ago, eight months after the telephone had transmitted its first sentence.

In 1889 Boston heard New York for the first time. In 1892 New York and Chicago were connected. Persistent research and development solved one difficult problem after another and gradually pushed back the frontiers of speech by wires, and in 1915 the spoken word sped from coast to coast.

Today these "long lines" of the Bell System comprise over 5,600,000 miles of wires, exclusive of 39,800,000 miles of exchange wire. Thousands of times daily, over distances unimagined as possible a half-century ago, long lines speed the nation's social and business messages.

This plant and service, developed to keep pace with the nation's needs, underlie the securities of the Bell System.



The dividend rate of the stock of A. T. & T. — parent company of the Bell System—is 9%. This investment stock can be bought in the open market to yield a good return. Write for booklet, "Some Financial Facts."

**BELL TELEPHONE
SECURITIES CO. Inc.**

D.F. Houston, President
195 Broadway NEW YORK



"The People's
Messenger"

Money and Banking

(Continued from page 21)

coin, the value of which as metal is very much less than its face value. This tendency or "law" operates only if two conditions prevail: first, that there is no scarcity of money, that there is sufficient for commerce, and second, that the bad money actually circulates. If the people refuse to have anything to do with it, the issue of the "bad" money will not affect the circulation of the "good."

Hilaire Belloc gives an interesting account of the history of banking. About 200 years ago there lived in the West of England a rich squire who has given his name to one of the great banks still existing today. This squire was an influential man who had many friends coming to his table. He had the reputation of good judgment and his friends would say: "I leave this sum of money in your custody," for they knew he would be able to put it to good use and give them part of the profit. Thus, looking after the money of neighbors, he came to look after the money of a great many people whom his neighbors recommended, and at last had hundreds of "clients", as the phrase went—that is, of people who would leave their money with him, knowing that he would earn a profit both for himself and for them; at the same time the money would be safely kept, and they might call for a portion of it whenever they wanted it.

From such origins the banking system gradually extended until, about a hundred years ago every well-to-do family had a considerable sum of money at a bank. Each had a book of accounts with the bank showing exactly how much had been put in and therefore how much they could "draw" upon. At first the clients, or depositors, would draw some portion of their money by way of a letter to the banker to this effect: "Please pay my servant who brings this letter £20 out of the £1000 I have with you." That was the origin of what are nowadays called "checks". The letter giving authority for the withdrawal grew more and more formal and was drawn up more and more in the same terms to save trouble. Then the bankers would have the forms printed, so that the client who wanted to draw would have the least possible trouble. The convenience of checks used in this way for business was obvious. If I owed a man \$50 and I had \$1000 with my banker, instead of having to draw out the money myself and take it to him, all I had to do was to write out a check to the order of this man, who would endorse it and get the money.

Now as banking grew and came to deal with more and more people, it was probable that this man would have a banking account with somebody. If Mr. Smith was not his banker, Mr. Brown would be. So when he got my check for \$50, he did not get the actual cash from my banker, Mr. Smith, but simply gave the check to Mr. Brown, his banker, and said: "Get that from Mr. Smith and add it to the sum I have with you, Mr. Brown." This was done, and the check which I had originally signed in favor of this man, having gone the rounds, was sent back to me to prove that the transaction was complete.

As banking continued to grow this system took on a vast extension. Thousands of people paid, and were paid, by checks, of which only a small part were turned into cash, and of which the greater part were paid into the bankers' offices and then settled by the bankers themselves. To simplify dealings be-

tween the bankers came the establishment of the "clearing house." The accompanying chart shows bank clearings for the United States outside of New York City as compared with total money in circulation. Bank clearings in New York City are greater than all the rest of the country combined so that the chart shows only about 40% of all the country's clearings. The figures on money in circulation are derived from reports issued by the United States Treasury Department. The data on bank clearings were furnished by the *Commercial and Financial Chronicle*.

Of all the money that the bankers received as deposits, seldom was as much as a third of it needed to meet demands for withdrawal. The art of a banker, therefore, consisted in knowing how to use this idle money to produce more wealth, how to invest it in "capital en-

terprise," still prudently keeping a large reserve to meet any demands which the depositors might make.

Suppose a man had \$5000 on deposit at a bank. He could draw checks up to the total amount, providing he made no other deposits. When the amount became exhausted, he had to stop. But the bank had plenty of other people's money lying about which had not been drawn out, so the banker would say, in effect: "You still want to carry on your business; but you have exhausted all the money you had with us. You will probably want to borrow some money to tide you over until the time when further sums begin to come in to you through your business. We are prepared to lend you money out of what we have to use from other people's deposits. You will pay a certain 'interest' upon it, say \$6 a year for every \$100, and you shall pay us back in



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In this commerce, the interests of the banker and the merchant or producer are inseparable and interdependent. Let business suffer and banking feels the effect; when trade prospers both banker and customer profit thereby.

The Irving-Columbia's Out-of-Town Office is a contribution to the promotion of commerce. This Office, in the Woolworth Building, New York City, is a banking unit devoted to facilitating the business interests of customers in the United States outside of New York.

Its officers, by maintaining close personal contact with all parts of the country, keep constantly informed on business conditions in various sections, and thus are able to give each transaction that quality of understanding so important to the customer's interest.

Possessing in its own organization every banking, investment and trust service, the Out-of-Town Office, for all customer purposes, is a complete bank in itself. And it offers to customers all the facilities, world-wide connections and total resources of our entire institution.

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New York

three or six months. Meanwhile, we will take a mortgage on your building or hold some other security, so that if you are unable to pay us back we can recoup ourselves." Later, as the business developed the bank would often lend to a trader without security. The system went farther still. It occurred to the banks after a time that there was no need to use anybody else's money at all. They could themselves offer to honor the checks of the man to whom they lent the money, without having any real money with which to pay those checks. This was possible, because with the growth of the banking system hardly any of the payments were by this time actually made in gold. Real money only passed in a very small degree. Clay calls this process of making advances which have no deposits against them "manufacturing credit". The amount of credit a bank can "manufacture" is limited because

the law requires a certain percentage of cash to be kept in reserve against all liabilities, credit as well as deposit accounts.

The credit system facilitates exchange. Direct exchange or barter is impossible. The use of a commodity, in the form of coin, is clumsy. We are enabled to substitute an order on a bank or a bill of exchange, a *promise to pay cash*, for cash itself, and then bring these promises together and cancel them. It is a sort of clearing house, in which a man's debts and claims are brought together and set against each other. A reserve of gold is needed, but only a reserve. The chart illustrates this point, that the total money in circulation is only from $\frac{1}{4}$ to $\frac{1}{10}$ of the total bank clearings.

The credit system finances production in anticipation of demand. The money for the finished product is not received in most cases until the goods are in the hands of the consumer. However, the

expenses of production must be met in advance, and firms that cannot advance payments themselves must borrow. A manufacturer can raise money now on the value of next year's output, a farmer can borrow on the value of next year's crop. Credit gives elasticity to the productive organization.

Price is the economic value of anything in terms of money, which is the standard of value. If the price of a commodity rises, we take it as an indication that its value has risen and that we can get in exchange for it more of other commodities than we could before. Sometimes, however, we find that the price of a thing has gone up and yet the thing will exchange for no more of other commodities than it would before. When a change in *price* occurs with apparently no corresponding change in *values*, we are forced to the conclusion that the change is not in the things themselves, but in the money for which they are exchanged. Money, like other things, has its value, and its value changes like other values. If more gold is produced in a given year, the value of gold falls. That is, it is worth less in relation to the value of other commodities, so it will take more money to purchase the other commodities. Consequently we say that prices have risen and the purchasing power of money has dropped. However, an increase in gold production may be counterbalanced by a more rapid increase in other forms of wealth, due to invention or newly discovered resources, so that prices will fall.

Certain economists believe that, other things being equal, the value of money varies inversely as its quantity; that increase or decrease in the quantity of money involves a proportionate decrease or increase in the price level. This hypothesis is known as the *Quantity Theory of Money*.

Broadly defined, inflation may be said to consist of a more rapid increase in money than, on the basis of a given level of prices, the actual increase in production and sale of goods really warrants. Deflation, the opposite of inflation, implies a more or less forced reduction of outstanding money made necessary by a precarious condition of basic reserves or by an intolerable price situation.

The people hardest hit by an inflation are professional men and the salaried classes. Their incomes are not responsive to price changes and remain almost at the old levels while prices soar. Inflation is an instrument for forcing the curtailment of individual consumption, but it works according to no principle of wisdom or justice. Instead, it forces curtailment of consumption according to the weakness of one's strategic position in the economic system. In so far as one could keep his income moving abreast of prices, inflation would not bother him. But relatively few are in such position.

Deflation after inflation is a painful but necessary process. It is necessary in order to avoid the perpetuation of the injustices that inflation produces. It is necessary also to preserve the permanent soundness and security of the money system. But the process need not be violent and disrupting; with wise control it can be made gradual and yet effective.

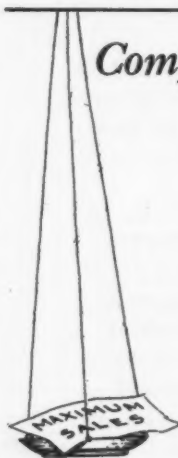
This series of articles, which will continue through the year, parallels the course in *Economics* offered by the National Institute of Credit of the National Association of Credit Men.



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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

How the Reserve System Works

FEDERAL RESERVE BANKING PRACTICE. H. Parker Willis, Ph. D., and William H. Steiner, Ph.D. D. Appleton & Co., N. Y. 1926. 1016 pp. \$10

This is a collaboration between the professor of banking in Columbia University, who is also editor of the Journal of Commerce, and the assistant professor of economics in the College of the City of New York, author of "The Mechanism of Commercial Credit." Incidentally, it continues an association that was established when Dr. Willis was secretary of the Federal Reserve Board and director of its Division of Analysis and Research, and Dr. Steiner was attached to the staff of that Division.

Many pens have busied themselves with writing about the Federal Reserve, but not all of them have spoken with authority. There is no question, however, that the close association of the authors of this book with the work of the System has given them exceptional opportunities for knowing the truth, and for giving it an expression that will be of benefit to all business men, and particularly to bankers.

Heretofore, books, articles and pamphlets on the Reserve System have been concerned chiefly with the general services rendered by the System to business and banking. This volume presents a thorough-going discussion of the banking practice which has developed since the System was put into operation. One of its most valuable features is its admirable handling of the finance of agriculture, which is treated both under the Federal Reserve System and under the Federal Farm Loan System and the credit banks.

First of all the authors lay down a background of the fundamental ideas concerned in general banking practice. They discuss the sources of banking law, as it applies to banks outside of the System, and then indicate the Federal Reserve sources of authority. Details of districts and membership are then discussed, and a special chapter is devoted to bank reserves.

After describing the functions of the Federal Reserve Board, the authors proceed to describe the reserve banks and their member relations; Federal Reserve notes; rediscounts and advances, and the financing of manufacturers and merchants. Chapters X and XIV describe the Federal Farm Loan System, joint-stock land banks, and the financing of crop raising and marketing. The Agricultural Credits Act of 1923 is described in detail.

Succeeding chapters take up such matters as bankers' acceptances, the open discount market, money rates, foreign banking facilities, and clearings and

collections. Chapter XXI deals with government fiscal operations of the Federal Reserve Banks, and this is followed by chapters on time and government deposits, fiduciary powers, the operation of the banks and their branches, and examinations and reports. The concluding chapters deal with the Clayton Act and Federal Reserve statistics.

This volume is really a handbook of Federal Reserve practice for bankers, and also for business men who want to know what help they can obtain from the System in financing their operations. It presents in compact form all the rulings and practice developed by the Federal Reserve Board and banks, and also such practice as the Comptroller of the Currency and other officials have followed.

There is an Appendix in nine sections and an adequate Index. An invaluable feature of the Appendix is the reproduction of the entire Federal Reserve Act. The Federal Farm Loan Act and the law providing for National Agricultural Credit Corporations are also presented in full. The book is well printed on a good grade of paper and is attractively bound.

A Stimulating Study

HISTORY OF ECONOMIC PROGRESS IN THE UNITED STATES. Walter W. Jennings Ph. D. Thomas Y. Crowell Co., N. Y. 1926. 822 pp. \$4.50, postage extra.

Dr. Jennings, who is associate professor of economic history in the University of Kentucky, has evidently been a very busy man during the past year or more. But he has doubtless had a good time, as he has been painting a fascinating picture on an extremely large canvas.

Here is history from a new angle. One may read volume after volume of the conventional historians and never get beyond the military or political aspect of events. But the real progress of the world is measured not by the reigns of kings and the chronicles of battles so much as by the evolution of manners and customs and the growth of the arts and industries of the people.

This latter point of view is the one taken by Professor Jennings, and expressed in a volume which may reasonably be called "monumental," since it presents a complete survey of industries and economic conditions in the United States from the colonial period down to the present time. The book sheds much needed light on obscure points in connection with the growth of population, agriculture, manufacturing, commerce and finance.

The work is in five parts, dealing successively with the Colonial period, the winning of political and commercial independence, the period of expansion, the war and reconstruction, and the twentieth century. In each of these

periods, Dr. Jennings discusses first the basic facts in regard to population, territorial expansion, labor and living conditions. He then treats, in order, agriculture, manufacturing industry, the growth of commerce, and the changing aspects of financial policies.

Particularly workmanlike is the author's treatment of the tariff policy of the United States. In Chapter XV he presents an introduction to tariff history, and outlines the essential characteristics of the tariffs of 1816, 1824, 1828, the "compromise tariff" of 1833, and the schedules adopted in 1842, 1846 and 1857. In part IV (Chapter XXIII) he describes the war tariffs, the changes of 1866 to 1870, the Acts of 1872 and 1883, the McKinley Tariff of 1890, the Wilson Tariff of 1894 and the Dingley Tariff of 1897. This topic is completed in Chapter XXX (Part V) which takes up the Payne-Aldrich Tariff of 1909, the Underwood Tariff, the establishment of the Tariff Commission in 1916, the emergency Act of 1921, and the Fordney-McCumber Tariff of 1922.

Dr. Jennings' treatment of the tariff has been described somewhat in detail not because the tariff is more important than other problems presented, but because the chapters mentioned illustrate so admirably the scholarly thoroughness which permeates the entire work.

One feature which will tend to give the volume use as a desk-book is an Appendix made up of 15 statistical tables. The subjects covered are population, farms, farm animals, production of principal commodities, mineral products, general growth of manufactures, development of typical manufactures, tonnage of American vessels, railroad statistics classified by groups, exports, commerce, imports, banking and government well-being. Under "government well-being" are given figures on the principal of the public debt, money in circulation, total ordinary receipts and total ordinary expenditures.

There is also a bibliography, grouped under these special headings: general, books; English colonial policy; population and immigration; agriculture; manufactures; tariff; trusts; labor; commerce and transportation; money and banking; conservation. This is another desk-book feature which will be highly valued by credit managers who read. There are such, the reviewer has discovered, and would there were more of them!

Judging Comparative Risks

INVESTMENT. Hastings Lyon. Houghton Mifflin Co., N. Y. 1926. 602 pp. \$4.50

Why add another book on investment to the list? Mr. Lyon cleverly disarms criticism by asking this question himself. His answer is that on a subject so many-sided there are many angles of approach. To change the met-

assets BLOWN away

One destructive
windstorm can
very easily change
a *Good* credit risk
into a hopeless
Bankrupt.. unless
windstorm insur-
ance shoulders
the burden of this
kind of loss.

It's not good
business to take
chances. . .

See THE WORLD
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Agent—
and play *Safe*.



Ralph B. Ins
President

aphor, the substance when filtered through one mind is different from the substance when filtered through another. As he picturesquely puts the case, the subject spills over and is not easy to put it into a container.

However, the experience of the author is reassuring as to his ability to put at least a satisfactory amount of it in the container. In addition to his six years of work in investment banking houses he has served as counsel to Committees of the Investment Bankers' Association of America, and has also lectured on investments at the Tuck School, Dartmouth, and the School of Business of Columbia University.

Mr. Lyon courteously acknowledges indebtedness to his predecessors in the field, including Chamberlain, who wrote the first comprehensive treatise on investments produced in the United States; Jordan, Raymond, Lagerquist, Kirshman and Sakolski, author of "American Railroad Economics," who has recently made his elementary book on investment into a larger and more useful work.

In outline, this book follows essentially the order used by other writers. It could scarcely do otherwise than begin with investment principles of general application, and then discuss the various forms of investment loans,—government securities, municipal bonds, real estate and farm mortgages, and issues floated by industrial enterprises, public utility corporations and the carriers.

A particularly useful chapter is that on "Mathematics of Investment" (XXIX). In this chapter Mr. Lyon shows exactly how the figures on "basis" or "yield," so conveniently tabulated for prospective investors, are actually arrived at. He discusses the premium bond, the discount bond, evaluation of the discount, figuring the sum of an annuity, compound interest, present worth, the value of basis rates, sinking funds, price and accrued interest and profit or loss on a bond investment transaction.

After the concluding chapter, which is

on "Investment and Taxation," there is a Bibliography of nearly a hundred titles of interest to the investor; a brief Appendix and a particularly well-arranged Index. The book is attractively printed on good paper, and bound in durable cloth.

As has been intimated, there is nothing startlingly new or striking in this volume. It is, however, a workmanlike presentation of the essential facts on which careful investors have to base their judgments and decisions. Particularly valuable is the author's clear analysis of the factors of risk, security and return which should govern the investment policy of persons of varying age and income.

A Study in Distribution

MARKETING. Edmund Brown, Jr.
Harper & Brothers, N. Y. 1925. 503 pp.
\$3

A new approach to marketing procedure and practice is revealed in this volume. Other authors have stressed the underlying principles of distribution and have "come down to cases" only occasionally, incidentally, and for purposes of illustration. Mr. Brown places the emphasis squarely upon basic commodities, the inference being that such principles as may be essential for the student of marketing will be easily deduced from the facts he presents. This is, then, in effect, another "case-book" added to the rapidly growing list put in circulation by our friends of Cambridge. It is not, of course, literally a Harvard case-book, but it bears easily distinguished marks of relationship.

There is, in the author's mind, a well-formed idea that the principles of marketing are not yet clearly defined, except in an elementary way, and that many of the so-called principles are little more than empty generalizations. In a situation so changeable and so dynamic, he says, few conclusions will have definite value unless they are fairly derived from trade practice and experience. He therefore contents himself with a brief introductory statement of his approach to market-

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Company

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Company

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CAPITAL

\$12,500,000

LOSSES PAID POLICY HOLDERS

\$175,146,238.21

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AGENCIES THROUGHOUT THE UNITED STATES AND CANADA

ing problems, and plunges immediately into a treatment of "Certain Basic Trades." Specifically, these are: wheat; flour and bread; cotton; textiles and clothing; livestock and meat; fresh fruits and vegetables; canned foods; coffee; tobacco; hides, leather and shoes; coal; steel; lumber; and industrial equipment.

The third general division of the book is headed "Organized Exchanges and Future Trading." Part IV deals with "Wholesale Distribution;" Part V with "Retail Distribution;" and Part VI, concluding the book, with "Marketing Policy." The last section, which is the part of the book which comes nearest to the problems of credit managers, has these chapter headings: "Market Information and Market Analysis," "Creating a Specialty," "Discounts and Allowances," "Installment Selling," "Resale Price Maintenance," "Guarantee Against Price Decline," "Selling Direct to Retailers," "The Exclusive Agency," and "Selling Direct to the Consumer."

In the chapter on "Discounts and Allowances" (XXX), Mr. Brown discusses the nature of trade discounts, touches on co-operative buying, and refers to the important court decisions in the Mennen case and the National Biscuit Company case. His treatment of installment selling is too brief to be very thorough, but in view of the fact that of the 110,000,000 people now constituting our population, at least 100,000,000 appear to have nothing to do just now but write on installment sales, that deficiency will speedily be made up.

A word should be said about the author's qualifications for doing this piece of work, as they are exceptional. Formerly associate professor of marketing in the University of North Carolina, and now connected with the Brookmire organization, he was for some time associated with the Federal Trade Commission, where he collaborated on a number of import studies dealing with specific commodities, chief of which studies were Volumes II and III of the Report on the Grain Trade.

The Forward Look

FORECASTING, PLANNING AND BUDGETING IN BUSINESS MANAGEMENT.
Percival White. McGraw-Hill Book Co., Inc. N. Y. 1926. 287 pp. \$2.50.

With this book Mr. Percival White adds another title to a list which includes his "Market Analysis," his timely and useful "Motor Transportation of Merchandise and Passengers," and two collaborations, — Hayward and White's "Chain Stores, Their Management and Operation" and Hahn and White's "The Merchants' Manual."

The usefulness of the present volume will depend to a considerable degree upon the status of the user as a student of business planning. If he is comparatively a beginner, and wants to get a satisfactory bird's-eye view of the problem before attacking its various factors intensively, this book will fully meet his needs. If he has had much experience, and has gone deeply into the foundations of budgeting and forecasting, he will doubtless require stronger meat.

This comment is intended to be not disparaging but discriminating. The author himself would in all probability be the first to admit that a book of less than 300 pages which essays to cover statistical sources and analysis, graphic interpretation, the business cycle, general business forecasting, the technique of planning, planned purchasing, production, marketing and management, cannot reasonably be expected to go into these im-

portant problems either intensively or extensively. The best such a book can do is to provide a working outline, and leave the details to be filled in from other sources.

Planning has, as all real executives now know, taken in recent years a commanding place in business management. It developed first in the field of production, where Taylor's early experiments in the cutting of metals led the way. But planned production of itself was not enough. Great enterprises which had organized production on the Taylor plan languished and disappeared because sales had not been properly correlated with fabrication. Thus it became evident that all the essential parts of the business must be planned, and modern business management does for both marketing and finance what the pioneers, following Taylor's principles, did for production only.

Competition, if nothing else, now com-

pels business executive to plan, schedule, forecast and make budgets. There is, therefore, a large body of hard-working presidents, treasurers, general and sales managers and credit executives who are, or should be, on the lookout for material that will be of service to them in connection with this important and difficult work.

To many of these Mr. White's new book will appeal as a general guide-book of planning and forecasting. Incidentally, while Mr. White's name as author appears alone on the title-page, he makes graceful acknowledgement in his Preface to the co-operation and help of Dean Maximilian B. Robinson and Professor Maximilian Philip, both of the College of the City of New York, and of Mr. Walter S. Hayward, who collaborated with Mr. White in preparing the McGraw-Hill book on chain store management and operation.

21,214 Failures in 1925

The 1925 figure for business failures in the United States was \$443,744,272.00.

Don't say, "This doesn't affect me—I'm watching my customers—I'm not subject to attack." It does concern you. Because these statistics cover literally every phase of American Business.

There were failures, for instance, every month of the year—2317 in January, 1878 in December. They happened in every industry—412 Machinery & Tool Mfgs., 624 Clothing & Millinery Mfgs., 466 Lumbermen, 1035 Drygoods Merchants, and so on. They happened all over the United States—1256 in Massachusetts, 421 in Georgia, 1433 in Illinois, 1554 in California. They happened to concerns of every size—from the "A-a A1" concern down to the smallest cross-roads general store.

Right now, Mr. Credit Manager, some of your own customers may be on the verge of failure, without your knowing a thing about it. You can't possibly foresee these bad debt losses, but you can safeguard against them, with American Credit Insurance. Investigate!

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KR252

From the Pacific Coast

FINANCIAL STATEMENTS AND THEIR ANALYSIS. F. A. Martinetti. Smith-Digby Co. Tacoma, Wash. 1926. 41 pp. \$1.

Analyzing the financial statement is one of the important jobs of the credit manager. To the man at the credit desk who knows his business and is on the alert a financial statement will convey a great deal more information than the actual figures spread upon the page. The personality, the integrity,—not to speak of the financial position of the merchant making the statement,—can often be obtained by reading between the lines.

A statement showing a man to be perfectly solvent may have certain items which indicate plainly that his business is going downhill instead of up. Experience is a fine teacher in the analyzing of statements, but a credit man cannot read too much of the experiences of others and the views of others, for many times that elusive quality known as "credit sense" is nothing more or less than an ability to read between the lines in a financial statement.

Many volumes have been written on the analysis of the financial statement, but Mr. Martinetti has approached the subject with two very definite ideas in mind,—concentration, and its logical by-product, brevity.

The average American business man has become accustomed to word padding in articles and books, and as a consequence has become used to separating the wheat from the chaff. But Mr. Martinetti's book contains a minimum of extraneous matter and goes to the subject with precision and dispatch. His introduction has to do with the reasons why a merchant does, or does not, submit a statement, which of course has a direct bearing upon the man as a credit risk. He next analyzes a typical statement, with commentaries on the high spots. The rest of the subject matter is taken up with an analysis of the various items on the statement, with indications that should be looked for and carefully considered.

Much of the bad debt loss is occasioned by the small order from the small merchant, whose downfall may be directly due to an ignorance of business methods such as proper book-keeping, insurance coverage, inventory taken, etc., and this book is particularly designed for pointing out the high spots in statement analysis of smaller merchants.

A Prize Won, Another Offered

William Dalchow Wins Paint and Varnish Prize

By Jasper Andrews



WILLIAM DALCHOW

THE National Association of Credit Men's Department of Education and Research has announced through its Director, Dr. Frank A. Fall, the award of the \$50 prize established by members of the Paint and Varnish Group of the Association. The winner is Mr. William Dalchow of the American Chicle Co., Long Island City, N. Y. His subject was "Procedure for Rapid Checking of Credit Information and Orders."

The judges in the essay contest were three members of the Supervisory Committee of the Department of Education and Research,—Dr. Charles W. Gerstenberg, Chairman of the Board of Prentice-Hall, Inc.; David E. Golieb of the Einstein-Wolff Co., New York City; and T. J. Lynch, of the Concrete Steel Co., N. Y. The judges examined carefully all of the papers submitted in the contest and graded them individually. Each judge reported his findings separately to the Director, who, acting with Marshall D. Beuick, Manager of the Publicity for the Association, assembled the grades and announced the results.

First Honorable Mention was awarded

to George D. Bowden of New York, for his paper, "What to Do With the Figures When You Get Them" and second honorable mention to M. F. L. Stewart of Pittsburgh for his essay, "Methods of Collecting Accounts Closely Without Loss of Good Will." The judges graded also papers submitted by R. V. McNally and L. H. Cook of New York and Sylvan Rosenstein of Baltimore.

It is the intention of the Department of Education and Research to make Mr. Dalchow's winning paper available to members of the Association by reproducing it either as an article in the *CREDIT MONTHLY* or as a separate publication.

In accordance with the desire of the Paint and Varnish group, whose chairman for 1926 is Joseph V. Carr, Manager of Credits and Collections of the Detroit White Lead Works, a new contest is announced, with another prize of \$50 for the winning essay. Papers should be in the hands of the Director by October 1, 1926, and the award will be announced as soon thereafter as the judges are able to grade the papers.

The competition is open to any one who handles credits for a house which holds a membership in the National Association of Credit Men, or to any student in the Association's National Institute of Credit. The judges will have complete authority in awarding the prizes. The winning paper and such others as the judges may select will be published in the *CREDIT MONTHLY*, or otherwise, as the judges may recommend. All papers should be typewritten, on one side of the paper only, and should be sent without rolling to Dr. Frank A. Fall, National Association of Credit Men, 1 Park Avenue, New York City.

Contestants may choose any topic they wish, and the papers are not limited as to length. In order, however, to encourage the competition, the Chairman of the Paint and Varnish Group and the Director of the Department suggest the following subjects as suitable and typical:

1. The Organization of a Credit Department.
2. Useful Credit Department Forms.
3. Collection Letters That Have Produced Results.
4. The Value of Credit Ratio Analyses.
5. What Books help the Credit Manager most?
6. Graphic Representation of Credit Statistics.
7. Inter-relation of the Credit and Sales Departments.
8. What Physical Equipment Does the Credit Department Need?
9. Credit Interchange Reports—Their Value and Use.
10. How can Cash Discount Abuses be Lessened?

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FIRE, THEFT, COLLISION, Etc.

JANUARY 1st, 1925

Assets as of January 1st, 1925 - - -	\$60,654,703.06
Capital - - - - -	3,500,000.00
Surplus - - - - -	19,810,623.92
All other Liabilities - - - - -	37,344,079.14

E. C. Jameson, President
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W. L. Lindsay, Secretary
G. C. Owens, Asst. Secretary
M. J. Volkman, Local Secretary

Advice from Dorothy's Father

(Continued from page 24)

"Thanks." Graham sat down while Harper half-sat on a cleared portion of a counter.

"First of all, Mr. Harper, I don't want you to think I'm here to dun you."

"I don't. I've been trading with Carey, Hodges & Larkin quite a spell. They've never had to dun me yet. I pay prompt—every Spring and every Fall."

Graham smiled inwardly at this idea of "prompt" payment. It gave him a good opening, but it might indicate that it was going to be a bit difficult to convince this old fellow of the necessity—the rightness—of settling one's bills every thirty days.

Starting at the very rudiments of credit, Graham launched into his talk. He pointed out the unfairness of Harper's policy to the other customers of Carey, Hodges & Larkin; the overhead occasioned by carrying it on the books; the loss, to Harper, of discounts, and every other factor that entered into the case.

His entire talk occupied perhaps five minutes. It seemed longer to Graham. For Eben Harper sat silently listening, apparently giving his full attention to all that was being said, but making no comment. Graham ended. There was a silence, that was awkward to the young city man but that did not embarrass Harper in the least.

"You see our point of view, Mr. Harper?"

"I must admit you seem to have a heap of logic on your side."

Graham breathed easier. "I was sure you would agree"

"Hm. What do you suggest?"

"Ever heard of Business Service?"

"Not that I know of."

"Well, Business Service represents the attitude of modern credit executives towards their accounts. Briefly, it is finding out *why* a man cannot pay promptly and helping him to overcome that cause."

There was a strain of idealism in young Graham. Sometimes he fairly glowed with good will and helpfulness. This was one of the times. That Dorothy Harper had just re-entered the store and was serving a customer had, of course, nothing to do with this feeling. Graham talked of display, the necessity for sales, sending out mail matter and such things.

Eben Harper listened and pondered. Finally he spoke.

"Mr. Graham, you're a city man."

"Yes, indeed."

"I can always tell it. Not by the way you dress, nor the way you talk. We have some right smart dressers and slick talkers right here in Cold Springs. But a city man thinks—in money. A farmer thinks in produce. Now you tell me about display. Good enough. But *I don't get my trade in this store*. I drive miles to sell my folks, and when they do come here they know pretty well what they want and don't give a hang how it is displayed."

"But, Mr. Harper—"

"Just a spell. Let me get it all out. When I pay you, I send you a check for dollars and cents. But I don't get dol-

lars and cents. I get eggs, butter, milk, potatoes and perhaps a little cash. Nature don't grow money yet and it takes time to turn produce into cash. Tell you what I'll do. You say this—Business Service gets at causes. All right. I'll show you just what I mean. Then you can tell me what to do—maybe."

"Nothing would suit me better, Mr. Harper."

"Good enough. You stay to dinner, and afterwards we'll drive to some of my customers. You can just listen and make up your own mind. Dorothy," he called to the girl, who was arranging some canned goods on a shelf, "set an extra place for dinner. Mr. Graham's eating with us."

"All right, Dad. It's nearly ready, too." She left her work and went through the back of the shop to their

house, with which it was connected.

Graham enjoyed dinner thoroughly. The food was good. So was the talk. Dorothy had been educated in a nearby town and had a lively curiosity about New York, which she had never seen. Mrs. Harper, it seems, had died a year ago. Graham exaggerated just a trifle, as he recounted the city's greatness with a familiarity of one to whom such things were trifles. The old gentleman was genial. No business was discussed.

After dinner the two men climbed into the light delivery car, which Harper used when booking orders. They drove for about two miles and stopped at a neat looking farmhouse. The farmer's wife was cleaning. The man of the house, repairing a wagon in a shed hard by. Harper took an order and gossiped a while. As he was leaving, the woman

Constructive Auditing

An independent audit is to be regarded always as the means to valuable advice from the auditor or auditing firm.

Too often, auditing service ends with the report of the financial condition of (name) as of (date).

Auditors should be equipped—and should be employed—to offer recommendations in connection with method, policies, financing, etc.; to furnish comparative statistics intelligently prepared; to point out how mistakes and waste may be eliminated, and pitfalls avoided.

Of course, *every audit should be a Detailed Audit*. But whether it be *Detailed*, *Semi-Detailed* or *Balance Sheet*, it can, and should be made to, serve as the basis not only of the financial report, but also of constructive help.

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The Institute is a Department of the National Association of Credit Men. Its educational work is carried on through two main channels—class-room courses offered under the auspices of local credit associations in a number of cities, and correspondence courses conducted from the National Office at 41 Park Row, New York City.

Prospective students who are within traveling distance of one of the classroom courses should, if possible, carry on their study in this way. By so doing they will get the advantage of personal contact with the instructor and opportunity for exchange of opinion and experience with other students.

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Business Law of Bankruptcy	30 hours
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Total	300 hours

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Advice from Dorothy's Father

mentioned that they would have a few eggs for Harper, on account, when he delivered.

"Helps us keep down the Spring square-up," she remarked, smiling.

The next householder wanted to know if Eben could use a cord of short wood he'd split for a summer resident who had just written that she wasn't coming up this year. Harper reckoned he could. At a third farmhouse he received five pounds of butter on account.

Throughout the afternoon the fact that currency hardly existed in Cold Springs was driven into Graham's mind. Not one customer offered cash. Everything was barter.

As they drove homeward in the early dark of Winter, Harper talked. "Well, Mr. Graham, you've got some idea of my problem. What's the answer?"

"Off hand, I don't think I have one," admitted the city man.

"You see, it isn't as simple as you thought. In the country things are different from the city. My folks haven't much cash, and what they do have they send to the mail order houses. I have to be a kind of a banker for them, giving them credit until their ground or their animals produce something they can give me in exchange for my goods. Even labor is traded. The only ones who pay cash for work around here are the city people. If I help Jim hay, he helps me cut wood and we're quits. Spring and Fall are the settling times. That's why I can't pay your company but twice a year."

"I think I understand your position better than I did, Mr. Harper."

"It's not easy for city folks to get. You talk about wages, but you always think of wages as cash. In the country, real wages are about all we get. You buy and sell. We trade. Here," he waved a hand toward a farm they were passing, "is real wealth but not cash. Fertile ground and decent, hard working folks. Poor, in a city sense, maybe, but A-1 credit. They intend to pay what they owe, and sooner or later they do pay."

He paused to re-light his pipe, halting the flivver for a moment. "Now," he resumed, "as to your ideas about sales, turnover and that sort of thing. They're great for cities. But I can't afford to let a man have stuff at a cut price when he's only going to pay me in potatoes at the end of six months. Some of the folks around here think I'm high priced when they read their mail order catalogues. But they don't bear in mind that the mail order people sell for cash and there's no shrinkage, no spoilage and no marketing for them to worry about."

"I see your point. In other words, if you force your sales you'll be selling people more than they can pay for."

"Exactly. And don't you get the idea that running a successful country store is a cinch. It's terrible hard. That's why I settle slow. When I get my stuff in the Spring and Fall, I market it; and with the cash I get, I pay my bills. Maybe I'm unprogressive. City folks say farmers are and talk about scientific farming. But we have as good a living as most city people and," he added with a chuckle, "we don't exactly kill ourselves with work in the winter."

They were back at the store again. Eben Harper put up the Ford. The young man went up the steps wondering where

he would find Dorothy. She was sitting by the stove sewing.

"Back so soon?" She asked.

"Soon—I thought it was late."

"Oh, Dad often doesn't get back until eight or nine o'clock, when he's taking orders. By the way, you're going to stay with us overnight."

"I couldn't think of it. Thanks, but

..."

"There isn't any train until tomorrow."

"Then I'm afraid I must thrust myself upon you."

As he came in, Eben heard this last remark. "Force yourself. Nonsense. Glad to have you. Why don't you stay a couple of days and get some real air and some good fun, too?"

Graham thought of his business, knowing in his heart that it could run on indefinitely without him. People can get well acquainted in a couple of days. He glanced at Dorothy ... after all, the next day was Friday.

"I'll run over to the station and get my bag and send a telegram at the same time. I'll be back in a jiffy."

Hastily scribbling a message to Blaine on some wrapping paper. Graham walked the quarter mile to the station on wings of dreams. He asked for his bag and, after scribbling his telegram on a blank, handed it to the combined agent, telegraph operator and baggage man.

"That's a queer one," remarked the official.

"Queer?" Graham reached for the slip and read what he had written: "Staying until Monday. All O. K. Ship Dorothy at once. Graham."

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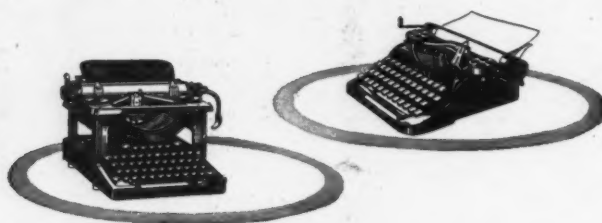
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